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**MID-TERM EVALUATION OF THE
SALVADORAN LABOR
MANAGEMENT FOUNDATION (FOES)**

PREPARED BY:

**MANAGEMENT SCIENCES FOR DEVELOPMENT, INC.
CONTRACT NO. 519-0000-980-B2**

FOR THE

**U S AGENCY FOR INTERNATIONAL DEVELOPMENT/EL SALVADOR
OFFICE OF DEMOCRATIC INITIATIVES**

MAY 1994



Management Sciences for Development

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EXECUTIVE SUMMARY

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PREVIOUS EVALUATION NONE

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I *Origin of the Salvadoran Labor Management Foundation (FOES)*

In 1990, AFL-CIO's American Institute for Free Labor Development (AIFLD), operating under its cooperative agreement with USAID/El Salvador, provided support to the Salvadoran Labor Management Foundation (FOES) to strengthen indigenous unions and worker's associations and their relationships with management. Although program support was provided initially by AIFLD, FOES assumed full responsibility for its program under the terms of the Trust Fund Agreement signed with USAID/El Salvador in 1992. Under this agreement FOES was allocated eighty (80) million *colones* (U S \$10 million). The Trust Fund Agreement signed by FOES and USAID/El Salvador established the following program areas:

FOES Institutional Development

A Development Program for Worker Organizations

Development of Labor-Management Cooperation

II *Purpose of Evaluation and Methodology*

Management Sciences for Development, Inc. (MSD), was contracted to conduct a mid-term evaluation of FOES activities under the Trust Fund Agreement and, specifically, to appraise the likelihood of achieving project objectives and to identify elements constraining its activities.

MSD's evaluation was based on a review of primary documents and survey data, as well as site visits, questionnaires and interviews with labor, business and private sector leaders in El Salvador familiar with the origins of FOES and its activities.

III *Findings and Conclusions*

A. *Strategy Assessment*

One of the principal *findings* of this evaluation is that FOES' strategy has had a significant impact in its ability to achieve the objectives of the Trust Fund Agreement. FOES' strategy has been to dedicate a significant amount of time and resources to institution-building in order to strengthen worker organizations. This approach has been followed at the expense of the Foundation's ability to deliver resources to the beneficiary organizations.

The Evaluation Team believes that FOES' strategy is *appropriate* to the extent that it recognizes the need to prepare, motivate and educate low-income Salvadoran workers to enable them to use resources more effectively. FOES' strategy has *not been effective* in delivering resources to intended project beneficiaries, however, due to the fact that the project has focused primarily on institution building in the first two years of existence. Thus, FOES encounters the following organizational dilemma: should FOES focus on institutional develop-

ment and deliver fewer resources or, alternatively, should FOES focus on resource delivery and risk the long-term sustainability of the project?

B Component I Institutional Development

The Evaluation Team found that FOES has been successful in developing mechanisms to upgrade the participation of workers and their associations in planning and implementing socio-economic development projects

Other findings under this component are

There is a general consensus that the FOES' Board of Directors does not include sufficient representation from private sector entities, especially from management (*empresario*) organizations. Thus, although FOES has conducted several labor management initiatives, the labor management component has been generally not emphasized in the first two years of the project. The lack of labor management initiatives is also due to the difficult political environment experienced in El Salvador during the last decade.

Although FOES has conducted numerous training activities, both in-country and outside El Salvador, FOES' initiatives in *training* its own staff, as well as those of beneficiary organizations, have been constrained by the lack of an overall training strategy.

Although FOES has demonstrated that its planning capacity can be effective (i.e., planning and coordinating the preparation of eleven (11) development plans with beneficiary organizations (including the preparation of three additional development plans at the time of the evaluation), there are deficiencies in FOES' overall planning capacity. These deficiencies are reflected in uneven workloads among staff, which has had a generally negative impact on the work environment of the organization.

Systems and mechanisms for program administration are developed through outside consultants. Valuable technical assistance and training resources have been provided to FOES and the beneficiary organizations. FOES' limited experience in managing technical assistance contracts, however, has at times resulted in contractual misunderstandings. "Deliverables" produced by consulting entities have sometimes have been prepared without adequate staff consultation, resulting in inappropriate procedures and documentation. FOES' should therefore improve its procurement and contract management procedures to avoid contractual misunderstandings.

Although grantees find FOES staff responsive and accessible, FOES' project management mechanisms are cumbersome and have contributed to FOES' limited effectiveness in delivering resources to the target population.

C Component II Development Program for Worker Organizations

FOES has assisted worker organizations in preparing eleven (11) development plans as well as in providing them with comprehensive packages consisting of hardware (personal computers and peripherals), software, technical assistance, training and financial support. These efforts have had the effect of enhancing the administrative and financial management capabilities of these organizations and could lead to self-sufficiency in the long-term.

With regard to FOES' program of loans and grants, the evaluation found that, although FOES has a well-developed system in place, FOES' record at present reflects a very low rate of effectiveness (i.e., a 25% disbursement rate) in the placement of these resources. The MSD Team believes that this low rate of disbursement is due to the fact that most resources to date have been expended on institutional building activities rather than on increasing resources (in the form of loans and grants) to project beneficiaries. FOES thus faces a critical management issue in the remaining years of the program regarding the proper mix between institution building and increased resource allocation.

Other findings include

FOES portfolio is not sufficiently diverse and the loan distributions are uneven, with one association receiving 40% of the loans.

Subgrantee projects are in line with USG policies to the extent that they support democratization and economic development.

Although FOES has the capabilities to develop any number of performance indicators, FOES has not yet developed performance indicators to generate statistics, assess project impact and identify problem areas. This is largely due to the fact that loans and grants were disbursed in late-1993 and, consequently, the organization does not yet have sufficient field results.

not good

D. Component III Improving Labor-Management Relations

Although FOES has undertaken some labor-management initiatives, the Evaluation Team found that FOES has not effectively supported labor-management cooperation activities. Moreover, there has been a failure to train key staff in the theory and practice of labor-management cooperation or to develop an outreach program.

E Recommendations

FOES should obtain technical assistance to assist management in finding the proper mix between institutional development and resource delivery objectives in the remaining years of the project.

FOES must develop and implement a training strategy for its own staff, particularly in the labor-management cooperation area. In

addition, staff should become re-acquainted, through training sessions, with the terms of the Trust Fund Agreement

FOES' Division on Planning and Operations must re-examine its planning operations and, in particular, its impact on the Foundation's work distribution and work loads

Technical assistance should be developed in close collaboration with Foundation staff. Provisions should also be included for periodic training in the use of contract deliverables such as organizational manuals. To the extent feasible, USAID/EI Salvador should provide FOES with assistance in specialized areas such as procurement and contract management

FOES must continue to streamline project management and financial procedures, particularly fiscally conservative disbursement policies, in order to implement a more effective resource delivery system vis-à-vis the beneficiary organizations

FOES should continue to provide technical assistance and training to beneficiary organizations. This may require a budget line item modification since the allocation for professional services is almost depleted

FOES should try to initiate contacts with new federations in order to diversify its current loan distributions

As FOES begins to move from institution-building into a resource delivery phase, the organization must begin to define performance indicators in order to identify problem areas and ensure that objectives are being met

FOES' Board of Directors should consider a re-structuring of the Board of Directors in order to include more representation from private sector organizations. In addition, FOES should organize a Project Review Committee under the Board of Directors to review projects, generate proposals to advance FOES' objectives and encourage participation of both management and labor

FOES must develop as soon as possible a labor-management work plan to include cooperative models at the plant level

USAID/EI Salvador should defer action on FOES' proposed endowment plan until the Foundation, particularly its Board of Directors, is re-constituted

FOES should convene a forum on labor-management models with the participation of local and international entities working with labor management issues, including returning CAPS participants and other groups familiar with labor-management cooperation such as the National Council of Occupational Safety, the Labor Management Foundation Institute for the Construction Industry, the tri-partite Board of Directors for the National Housing Board, the tri-partite Board of Directors for the Social Security Institute, and the tri-partite National on Minimum Wage

FOES should consider an expansion of ongoing activities such as women in development, environmental programs, networking and dissemination of information on the work of the Foundation

Participant

BEST AVAILABLE COPY

LESSONS LEARNED

The most important lesson learned from the FOES evaluation is that *NGOs Continue to Need More Assistance and Support than Originally Thought*

A I D began supporting the development efforts of nongovernment organizations (NGOs) approximately 15 years ago. Support was provided to organizations with significant community outreach and innovative ideas. Projects tended to be small-scale and, consequently, did not require a lot of "hand holding" on the part of the donor agencies.

Today, A I D provides support to NGOs for activities that are increasingly more ambitious and comprehensive, oftentimes encompassing multisectoral areas.

The increasingly comprehensive, complex, and ambitious programs currently undertaken by NGOs have had a number of implications for project design and implementation.

1 *Design Implications*

The design of NGO projects oftentimes tends *not* to reflect the complexity of the programming that NGOs are required to undertake. In other words, project design tends to be simplistic in comparison to the tasks and responsibilities that NGOs are being asked to undertake.

Thus, the design of NGO projects ~~should be more realistic, reflecting the complexity of the programs they are being asked to undertake.~~ More detailed, yet flexible, project designs will be useful to guide both the USAID project managers and project implementers as well.

2 *NGOs' Lack of Familiarity with Donor Agencies*

As NGO programs have gotten more ambitious, there is an assumption that NGOs are familiar with the complex nature of donor agencies. In fact, NGOs tend *not* to be familiar or experienced with the complexity of large donor agencies such as USAID, particularly with its operating procedures. This can have a significant impact on project effectiveness as it leads to misunderstanding concerning the kind of assistance that NGOs can expect from A I D, particularly in specialized areas such as procurement and contract management. Whereas the tendency on the part of the donor agency may be, "It's your project for you to implement," the NGO may feel that considerably more support should be coming from the donor agency.

3 *The Horns of the Dilemma*

Organizations receiving financial support from large donors such as USAID (particularly local organizations receiving assistance for the first time), oftentimes find themselves pinioned between the horns of the dilemma highlighted in this evaluation: that focusing on institutional development objectives oftentimes can

detract from an organization's effectiveness in delivering resources to intended beneficiaries

Thus, the proper mix of institutional development versus resource delivery is a critical *management* issue that NGOs need to resolve, as it can have a significant impact on meeting project objectives, as well as on the long-term prospects (i.e., sustainability) of the organization

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Board of Directors and Executive Office

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I. INTRODUCTION

A Evaluation Overview/Objectives

In February 1992, the U S Agency for International Development ("USAID") Mission in El Salvador signed a Trust Fund Agreement with the "*Fundación Obrero Empresarial Salvadoreña*" (Salvadoran Labor Management Foundation, also known as "FOES") Management Sciences for Development, Inc ("MSD"), has been contracted to conduct a mid-term evaluation of FOES activities under the Trust Fund Agreement and, specifically, to appraise the likelihood of achieving project objectives and to identify elements constraining its activities

To this end, MSD provided a two-person team consisting of an evaluation specialist and an evaluation advisor, the team was also assisted by an international labor advisor from USAID's Office of Democratic Initiatives, Bureau for Latin America and the Caribbean (LAC/ODI) Field work was conducted in El Salvador between January 31 and March 9, 1994

B. MSD's Method and Approach

MSD's evaluation was based on a review of primary documents and survey data, as well as site visits and interviews with labor, business and private sector leaders in El Salvador familiar with the origins of FOES and its current activities. Four different types of data were gathered in preparing this evaluation of FOES, as described in the following sections

1 Review of Primary Documents

Evaluators conducted a review of relevant documentation, including FOES' Action Plans for 1992, 1993, and 1994, files in USAID/El Salvador's Office of Democratic Initiatives (ODI) pertaining to the FOES program, including the Trust Fund Project Agreement, quarterly reports submitted by FOES, Semi-Annual Reviews prepared by USAID/El Salvador's Office of Democratic Initiatives as well as the El Salvador Mission's Action Plan for FY 1994-1995, self-sufficiency studies prepared by FOES staff as well as other studies of self-sufficiency developed by Freedom House and the Pan American Development Foundation

2 Self-Assessment Performance Questionnaires

Interviews and written 'self-assessment' performance questionnaires were administered to select FOES managers, staff, and primary affiliate group managers. These questionnaires focused on organizational objectives, implementation tasks and activities. The questionnaires also solicited prescriptive information for improving FOES' performance on the part of management, staff, and a select group of beneficiaries. FOES staff also formulated their own questionnaire aimed at addressing institutional development issues

3 *Beneficiary Group Assessment of FOES*

An assessment of FOES' performance was conducted via worker associations directly benefiting from FOES' programs. A group of urban and rural union leaders were interviewed and requested to describe the nature and level of FOES' technical assistance, training activities and interaction, relevant accomplishments, and lessons learned.

4. *Public and Private Sector Assessment of FOES*

A fourth category of information involved an assessment of FOES as a catalyst for improved communication and collaboration through private and public sector organizations involved in issues and efforts promoting labor-management cooperation.

In addition to USAID/El Salvador staff, knowledgeable members of the development community in El Salvador were interviewed, including representatives of the U.S. Embassy, the AFL-CIO's American Institute for Free Labor Development ("AIFLD") and Salvadoran participants who attended a Labor-Management Leadership Training meeting under the Central American Peace Scholarship program.

C. *FOES' Political and Economic Context*

1 *Origins of the Salvadoran Labor Management Foundation (FOES)*

The idea for a Salvadoran labor-management foundation evolved from the Kissinger Commission Report that recommended, *inter alia*, the establishment of a Central American Development Organization (CADO) to carry out economic and social development programs at the local level throughout Central America. Based on the notion that business and labor could discover common ground on behalf of economic and human resource development objectives, the organization was envisioned as a tripartite regional entity encompassing labor, business, and government.

The concept was given concrete expression by the AFL-CIO's American Institute for Free Labor Development (AIFLD) which sought to establish a labor-management foundation in El Salvador to strengthen the capacities of indigenous unions and worker associations to democratically pursue economic development activities of benefit to themselves and their families. It was also envisioned that this organization would serve as the means to improve labor-management cooperation. A related objective would be to promote *sustainable* activities following initial support from the donor community, particularly from USAID.

Operating under its cooperative agreement with USAID/El Salvador, AIFLD in 1990 proceeded to support what was to become FOES, a foundation with the capability to carry out labor-related social and economic development programs and labor-management cooperation initiatives. According to the proposal

- submitted by AIFLD, it was expected that after a three-year start-up phase "the Foundation will have matured to become a free standing, independent Salvadoran development entity "

2 Trust Fund Agreement Objectives

As noted above, the Salvadoran Labor Management Foundation (FOES) was provided support by AIFLD in August 1990 to serve as an indigenous organization to provide assistance to labor unions and worker associations and to promote cooperation between labor and the business sector, particularly as the country began to emerge from a prolonged period of civil war. It acquired legal status (*personeria juridica*) as a foundation in June 1991. Although program support was provided initially by AIFLD, FOES assumed full responsibility for the program under the terms of the Trust Fund Agreement signed with USAID/El Salvador in 1992. Under this agreement FOES was allocated eighty (80) million *colones* (approximately U S \$10 million) to increase the participation of those elements in Salvadoran society which traditionally have had limited access to labor-affiliated social services and self-help development opportunities. It was understood that FOES would take steps to achieve self-sustainability.

There are three inter-related components established in the Trust Fund Agreement signed by FOES and USAID/El Salvador

1 Institutional Development Under this component, FOES would establish mechanisms to upgrade participation and access for those elements in society which traditionally have had limited access to social services and economic opportunities. This component was designed to provide technical assistance and financial support to strengthen FOES' institutional capability to coordinate and manage the Project activities in the other two components.

2 Development Program for Worker Organizations Under the second component FOES would assist worker organizations in developing organizational and individual skills for carrying out priority projects. FOES would make loans, and/or grants and provide technical assistance and training only through a comprehensive and flexible package of assistance that would include project preparation, feasibility studies, materials, technical assistance and training.

3 Development of Labor-Management Cooperation FOES would be a catalyst in fostering communication between labor and management, and then in working with them to develop concrete forms of collaboration on projects of self-evident benefit to both.

3 FOES and USAID's Principles of Participatory Development

a Relationship to USAID/El Salvador's Strategic Objectives

On November 16, 1993, USAID/Washington provided guidelines on establishing effective ways to implement principles of participatory development. These principles were premised on the assumption that there is nothing more basic to development than *participation*.

Participation in this context is perceived as both the ends and the means. Scarce resources are to be committed to development projects that broaden economic, social and political access, and enable a society to improve the quality of life of its people. Development approaches, according to the new guidelines, must be sustainable. These approaches should function in a manner consistent with the priorities and values of those who will have to sustain these efforts after the donors have departed.

Support for FOES is thus considered a part of the overall U.S. Government commitment for meeting strategic objectives in El Salvador which include the promotion of sustainable democratic institutions and practices by strengthening citizen participation in decision-making processes. More specifically, FOES is considered to be a mechanism for promoting the capacities of trade unions to respond to worker needs and ensuring access to the dividends of economic growth in El Salvador. FOES is also viewed as a vehicle for promoting a labor-management cooperation process that could contribute to a climate for "equitable growth through an appropriate policy framework for increased private sector investments," as noted in the original proposal submitted by AIFLD to USAID/El Salvador requesting support for FOES.

b *Relationship to USAID/El Salvador's Labor Program Objectives*

The stated purpose of USAID/El Salvador's labor program is "to strengthen the political center of the country, giving support to democratic labor unions and to activities aimed at decreasing polarization between labor and management." As El Salvador emerges from a period of prolonged civil strife, FOES is viewed as an instrument to the timely acquisition of communication, bargaining, and negotiation techniques and their dissemination to client groups in labor-management communities. According to the original proposal, "the task of FOES will be as a catalyst in fostering communication among parts of the two sectors and then in working with them, in working out *with* them, concrete forms of collaboration in projects of self-evident benefit to both."

II *An Assessment of FOES' Strategy and Goals*

Prior to addressing the achievements of FOES under the three components of the Trust Fund Agreement, it is useful to assess the strategy which has guided FOES' efforts to date. As we shall see, an assessment of this strategy is useful because it provides valuable insights into the *approach* that FOES has followed and the implications that it has had in terms of project objectives to date.

In assessing the appropriateness and effectiveness of FOES' strategy, it is useful to begin by addressing the *type* of strategy adopted by FOES to achieve the stated objectives of the Trust Fund Agreement. A review of project documentation and interviews with key informants reveals that founders of the organization considered several options to assist worker organizations such as whether FOES should take the approach of a finance corporation (or *financiera*), a community bank, or a loan guaranty program. These options were rejected as

too complex or limited to address the needs of the FOES' client groups, i.e., low income workers, with limited experience in self-help and democratic participation in democratic decision making processes

In order to best address beneficiary needs, FOES adopted what can be described as a *developmentalist* strategy, that is, an *institution-building* strategy based on the need to motivate, mobilize, and educate workers, particularly in practices of self-help and participation in the decision making process involving socio-economic development projects. The principal objective of the strategy is to give individual workers and organizations not only the means to address basic human needs but, more significantly, to enable them to acquire the necessary motivation, self-confidence, knowledge and skills to become fully participant members of the formal sector on a sustainable basis. It is important to emphasize that this strategy is based on the idea that it is not enough merely to meet basic needs but, more fundamentally, on the need to create and establish sustainable institutions, including the concomitant skills and motivation of its individual members, complemented by the necessary resources to sustain them after project funding comes to an end.

Based on this strategy, the FOES institution-building program from its inception has devoted considerable preparatory effort to developing its own organization and those of its beneficiary groups. These efforts have focused on developing skills both in FOES and the beneficiary organizations to undertake activities involving project planning, development, and implementation of socio-economic development projects as well as the effective use of technical assistance, training and material resources. Loans and grants, complemented by technical assistance and training, are the principal elements in promoting institution-building among worker organizations. Conceived and implemented in this manner, FOES' institution-building, developmentalist strategy has been used to address several programmatic areas considered to be of high priority by the beneficiary organizations themselves, as we shall see later in this evaluation report.

Consistent with the approach outlined above, the Trust Fund Agreement established the following major objectives:

the *goal* of FOES is to improve the well-being of low-income Salvadoran workers and their families,

the *purpose* of the FOES program is to strengthen the capabilities of free trade unions and similar organizations of workers as democratic development entities that can continuously carry out development activities for the improvement of the living standards of their members and families.

The Trust Fund Agreement also stipulates labor management cooperation as a *principal feature* of the project.

In support of its strategy and objectives, FOES adopted several *principles* or *criteria* to guide program funding. Accordingly, socio-economic development projects supported by FOES must

be of direct and immediate benefit to workers and farmers,
preferably but not necessarily organized,
result in permanent benefit to the recipients,
involve personal and economic participation of the beneficiaries,
involve improved capabilities and operational systems that result
in enhanced benefits for both workers and owners,
extend their benefits to large numbers of people and thus have an
impact on development with national impact,
be activities that can be expanded or complemented with other
resources available for development programs,
be conducive to the improvement of relations between labor and
capital [sic], and
have durable impact

FOES' statutes also provide a description of the *types of projects* that FOES would support

labor-management training programs at the company level,
practical agricultural training through cooperatives and other rural
labor organizations,
small-scale development programs in the construction or
maintenance of housing and other social infrastructures in which
the beneficiaries participate in a self-help manner,
training in crafts for members of rural and urban unions and their
dependents,
principals of basic education in the work place in collaboration
with cooperatives and local organizations,
programs of preventive and curative health in the work place, both
urban and rural,
development of credit programs among unions, and
development of micro-enterprise programs in the informal sector in
urban areas and in rural villages

Is the FOES strategy appropriate? FOES' strategy is appropriate to the extent that, as an institution-building approach, it recognizes the need to *prepare, mobilize and educate* low-income workers with limited educational levels, traditionally excluded from the social and economic mainstream, and with limited organizational and material resources. It is not enough to provide resources, individuals need to be motivated, educated and organized before resources can be used efficiently and effectively in activities of benefit to themselves and their community. Consequently, FOES' initial preparatory, educational activities with Salvadoran labor organizations and their individual members *are appropriate and necessary* to enable them to use resources effectively, and in the long-run, on a sustainable basis. There is a consensus among FOES staff that the educational

focus of FOES' institution-building initiatives in the early phase of the project is necessary to promote improved worker organization leading eventually to worker participation in the formal sector of the economy on a sustainable basis as well as to define new forms of labor-management cooperation

FOES' approach can be contrasted with the approach of narrowly focused finance corporations (*financieras*), which are principally financing mechanisms and provide financial resources but few, if any, support services. FOES, unlike *financieras*, offers a strong complement of support services to its member organizations

It is also important to note that FOES' efforts come at an important point in the history of the trade union movement in El Salvador. The trade union movement is of fairly recent origin, is relatively weak, and is emerging from a ten year period of civil war during which time it was the target of active hostility and exclusion. FOES' institution-building support to these organizations to enable them to promote their own development in a democratic manner is not only appropriate but *timely* as well

Lastly, the FOES strategy of increasing the participation of groups previously excluded from the social and economic mainstream in El Salvador is supportive of overall U.S. goals which include the strengthening of democratic institutions and the broadening of the benefits of growth

Is the FOES strategy effective? As described above, FOES' strategy of institution-building and addressing structural deficiencies of beneficiary organizations and their members is appropriate. It is an approach that recognizes the need to prepare, motivate, mobilize and educate the client population in participating in their own development. To date, however, the FOES strategy has *not* been effective in terms of *resource delivery*, that is, in delivering resources (financial, technical assistance and training) to project beneficiaries as will be seen more clearly in the analysis of Component II in this report. Other factors such as cumbersome project management procedures and the Foundation's own fiscal conservatism have also undermined its effectiveness

FOES thus encounters the following *organizational dilemma* to the extent that it devotes considerable energy and resources to institution-building, it undermines its effectiveness in terms of resource delivery, to the extent that it seeks to be more effective, its institution-building efforts (and hence the possibilities for long-term sustainability of FOES' efforts) could be placed at risk. The *management* challenge for FOES is to find a proper balance between the horns of the dilemma, particularly in the remaining years of the project

III Component I Institutional Development

Under Component I of the Trust Fund Agreement, FOES was required to develop mechanisms to upgrade participation and access for those elements in society which traditionally have had limited access to social services and economic opportunities. Technical assistance and financial support would be provided to FOES to strengthen its institutional capabilities to coordinate and

manage Project activities in the other two components involving the development of worker organizations (Component II) and the development of labor-management cooperation (Component III) Various aspects of FOES' institutional development are described and analyzed in the following sections

A *Organizational Development and Accomplishments*

1 *Organizational Overview*

FOES' decision-making structure consists of the General Assembly which comprises the general membership and is therefore the highest authority of the organization, a Board of Directors which is responsible for setting overall policy, and the Executive Director who is responsible for carrying out the mandate of the Board of Directors and consequently, is responsible for the day-to-day operations of the Foundation

The original AIFLD proposal requesting support from USAID/El Salvador on behalf of FOES underscored the need for a proactive Board of Directors, stating that "initially the officers of the Foundation will be working members who not only can manage day-to-day affairs but function in a project development and review role " The AIFLD proposal further recommended that, "ideally, the President or Executive Director would be a development specialist, skilled in management, with a trade union background so that he/she could relate to the target groups " AIFLD's expectation was that the ideal Board member would share the goal of promoting joint efforts by labor *and* management groups

Furthermore, the Board of Director's membership was to include representation both from organized labor and management and other professionals expected to provide a broader base of experience and to promote and facilitate cooperation between the two sectors It was presumed that a unique byproduct of the mixed composition of the Board of Directors would be a process of communication and collaboration on the basis of which labor and management representatives would work together on actual project activities

Currently, there are ten Board members (each Board member also has an alternate) Previously, Board members were individuals who did not represent any particular organization The Foundation's statutes were recently amended to accommodate representation on the basis of organizational affiliation (labor and management) This step was taken by the Board of Directors to improve the possibility of enhancing labor-management cooperation and initiatives Nevertheless, the *perception* persists in both labor and management circles (acknowledged by some of the Board members themselves) that the current Board of Directors still does not have the necessary diversity to pursue the Foundation's objectives Although the Board of Directors includes individual members from the private sector, its overall private sector representation has been minimal Lastly, it should be noted that labor-management cooperation initiatives have been constrained by the political context in El Salvador during the past ten years of civil strife, involving a polarized political environment

2 *Administrative Structures*

The day-to-day work of FOES is administered and managed by two principal divisions under the overall supervision and guidance of the Executive Director. These are

The *Planning and Operations Division* (*División de Planificación y Operación de Proyectos*) is the technical office responsible for planning, coordinating, managing, and implementing activities with beneficiary organizations. This Division currently is composed of the following

- 1 Director of the Division
- 1 Deputy Director
- 3 Technicians
- 1 Assistant technician
- 1 Secretary
- 2 Chauffeurs

The *Administrative/Finance Division* provides administrative and financial management support to the overall organization. The Administrative Subdivision, which provides personnel, procurement, and other general support services, consists of the following

- 1 Chief of Administration
- 1 Secretary
- 1 Chauffeur
- 1 Receptionist
- 3 Security personnel
- 2 Cleaning personnel

The Financial Subdivision consists of the following

- 1 Chief Financial Officer
- 1 Accountant
- 1 Assistant Accountant
- 1 Assistant Accountant (has been requested)
- 1 Credit Specialist

In addition to overall financial management for the Foundation, the Financial Subdivision is responsible for managing the Foundation's loan and grant portfolio.

An organizational chart of FOES is provided as an attachment (See ***Annex 1***)

3 *Overview of Personnel Recruitment and Hiring*

FOES personnel are recruited and hired on the basis of authorization provided under the statutes of the Foundation and with the approval of the Board of Directors. The organization has grown rapidly from an original staff of four (consisting of an Executive Director, an Administrative/Finance Director, an

Accountant, and one Secretary, all originally hired with AIFLD funds) At present, FOES has 26 employees

Document reviews and survey data indicate that, as part of its institution-building efforts, FOES has been successful in developing effective administrative procedures for the recruitment and hiring of staff on the basis of merit This includes the publication of job announcements and descriptions, personnel selection based on experience and qualifications of the candidates, and final selection based on recommendations made by an internal personnel committee established by the Foundation

Despite FOES' adherence to formal, merit-based criteria, staff interviews and questionnaires raised the issue of favoritism in hiring practices Although the Evaluation Team cannot corroborate these allegations, the organization's failure to adhere to professional standards explains, according to some of the staff, the unequal skill levels in the Foundation as well as what some describe as a difficult work environment Others, however, do not see any problems This is obviously an issue that requires more in-depth attention on the part of FOES management

4 Training

All organizations have procedures and mechanisms for training and socializing its members in the overall mission, goals, objectives, and procedures of the organization This is particularly the case for an organization with ambitious institution-building objectives such as FOES The issue can be posed as follows How does FOES go about the job of training and motivating staff to assume their responsibilities in the context of the organization's goals and objectives?

At this point it is useful to distinguish between *formal* and *informal* mechanisms Informal training proceeds as follows once an individual is hired, he/she is briefed by the respective division chief, introduced to colleagues, and provided copies of relevant documentation of the organization (guides, background papers, manuals, etc) This type of training is of course "on-the-job," based on the individual's own initiative in doing his/her homework and learning from colleagues Some respondents to our questionnaires doubted the effectiveness of this type of training, which, by its personalized nature, imparts uneven skills

FOES has also provided formal training for its staff (*Annex 2* provides a summary of these activities since 1991) As can be seen, these activities involved training in computers, English language, and project management Specialized courses involving the use of pesticides were also provided to the staff of beneficiary organizations as well as to some of the FOES staff

Additional data provided by FOES sheds further light on resources devoted to training For example, *Annex 2*, reflects the actual amount of resources devoted for training As can be seen, FOES spent only 88,768 50 *colones* (less than U S \$10,000) in two years (1992 and 1993), on training, both for Foundation staff, as well as the staff from worker organizations These figures

also include expenditures made by the President of the Board of Directors and the Executive Director, for external travel undertaken in conjunction with a labor-management training activity

Statements by staff members (which are supported by the survey data) acknowledge that despite FOES' efforts to institutionalize formal training, much of the training has been *ad hoc*, that is, largely dependent on whatever seminar or training course happened to be coming through town. Training initiatives have not been guided by an overall strategy designed to achieve defined institutional objectives. Thus, although FOES can take credit for the training initiatives outlined above, its overall effort has been generally constrained by the lack of a training or human resource development strategy. This has been one of the principal constraints to the systematic development of its human resource base, both internally and *vis-à-vis* the beneficiary organizations

Interviews with Foundation staff reveal that the *ad hoc* nature of FOES training program is reflected in the uneven knowledge of FOES' philosophy on the part of the program staff. Some of the program staff claimed that even some members of the Board of Directors did not have a good grasp of the organization's objectives. This was attributed to the lack of guidance and support from top management in imparting a systematic understanding of goals, objectives, and functions of the organization. In this work context, according to some of the respondents to our survey, some of the program staff tended to seek refuge in day-to-day tasks, uninformed of the larger picture.

When staff were asked whether there had been any training devoted to discussing FOES' strategy and objectives, their response was that FOES had a one-time seminar to review overall objectives and implementation procedures. This training exercise has not been repeated, however, which may explain to some extent the lack of understanding of overall goals and objectives of the Trust Fund Agreement, particularly on the part of newer personnel.

The Chief of the Administration/Finance Division indicated that his division meets about once a month but that these meetings are devoted to current issues at hand and generally are not intended to review overall goals and objectives of the Foundation.

5 *Planning*

The Planning and Operations Unit in FOES is responsible for overall planning and implementation. To date, they have been responsible for working with eleven (11) worker organizations in planning and implementing eleven development plans involving more than 100 projects over a three-year span. Many of the projects consist of several subcomponents. The total amount of these projects is roughly 20 million *colones* (approximately \$2,272,727). Three more *convenios* representing roughly 30 more projects are being planned as well.

The FOES planning capabilities have also been demonstrated in the development and implementation of an environmental strategy which includes seminars and workshops on erosion control and soil conservation. Finally, FOES

has planned and coordinated the provision of technical assistance and training activities to ten (out of eleven) worker organizations involving the establishment of administrative and financial management systems which represents a major step toward the self-sufficiency of these organizations. These efforts represent solid achievements in developing a planning capacity in the FOES organization.

The evaluation team nevertheless notes some deficiencies which need to be addressed. Specifically, FOES appears to suffer from a lack of clearly defined organizational objectives, functions, and responsibilities. This is a recurrent problem which was highlighted early in the life of the organization (by R. Mashek) and continues to be an issue which was commented on by several of the respondents to our survey. According to some staff members, this lack of definition in organizational goals results in arbitrary work assignments and uneven distribution of the organizational and individual workloads. This, in turn, oftentimes leads to charges that the technical division is doing the work of the administrative division instead of the latter providing support to the technical division.

The lack of a clear definition of functions, scopes of work, and responsibilities has also had, according to respondents, a negative impact on staff morale. It is therefore not surprising that instruments of modern organization and bureaucracy, such as organization manuals, are considered largely irrelevant and thus ignored as sources of guidance for the organization and its staff. In the opinion of some members, the lack of a clear and established hierarchical order is compounded, others would say caused by, the lack of leadership "from the top," as well as "micromanagement" from the Board of Directors.

6 *Technical Assistance*

The deficiencies noted in the previous section point out the difficulties which inexperienced organizations can have in utilizing technical assistance resources, i.e., a tendency to let technical assistance providers produce "deliverables" *without the active participation and collaboration of the staff*. (It should be noted that there are exceptions, the principal one being CLUSA which developed loan and grant procedures and related documentation (i.e., manuals and guidelines) in close collaboration with FOES staff as well as members of beneficiary organizations). The resulting products or instruments prepared for the organization (e.g., organization manuals) end up being considered largely as impositions, irrelevant to the practical realities and needs of the organization. To maximize the use of technical assistance services, technical assistance providers should be required to work closely with the beneficiary organizations, particularly in areas involving the definition of organizational objectives, functions, and responsibilities. Organizations such as FOES should also insist (as part of the terms of reference with consulting entities) that periodic training and follow-up be provided to review the efficacy of these functions, and particularly the use of relevant instruments such as manuals, to ensure that procedures are being followed, and more significantly, to ensure that these instruments are periodically updated.

Another negative effect of not working closely with staff in the development of organizational manuals is that, in the worst of cases, overly bureaucratic practices can become "set in concrete" by their incorporation in manuals and other official documentation. Staff members are then forced into rigid strait jackets, having to follow cumbersome procedures because they are contained in the manuals. Periodic revisions are therefore extremely important.

7. *Administrative and Financial Management Systems*

FOES' institution-building initiatives during this initial phase include considerable effort in developing administrative and financial management systems. This part of the institution building effort has been conducted principally through technical assistance contracts with consulting firms, both local and external. For instance, the local Price Waterhouse affiliate developed FOES' procedures for funds management, procurement, contracting, capital expenditures, personnel management, planning and project control, office management, and inventory control. These procedures (including corresponding documentation such as manuals) are in place and operative. FOES also hired CLUSA, a U.S. based private voluntary organization (PVO), to develop procedures and manuals for the loan and grant program.

Price Waterhouse was also hired, under a separate contract, to develop a computer system that would integrate accounting, budgeting, and project management functions. At the time of the evaluation the system was in place and, to an extent, operational. Unfortunately, the system has been plagued by several problems. The principal problem appears to be that some of the system's modules or components have not yet been developed and consequently, the system does not yet operate in an integrated manner. These problems are largely the result of misunderstandings involving the terms of reference (TOR) of the contract established between FOES and Price Waterhouse.

As a consequence of these deficiencies, FOES staff members have been working in an independent manner, using word processing, spreadsheets, and independent sources of information on separate, "stand alone" units. FOES staff acknowledges that its work ends up being duplicative, leading to organizational inefficiencies.

In general, however, FOES' administrative procedures can be considered as an institution building achievement. These procedures represent part of the basic infrastructure (together with the financial management systems, discussed in the next section) which enable the organization to implement its socio-economic program with eleven Salvadoran worker organizations.

8 *Financial Reporting*

FOES staff appears to have succeeded in developing procedures consistent with generally accepted financial management practices, enabling them to track and account for project expenditures as well as to comply with numerous reporting requirements. At the present time FOES has the capacity to prepare a variety of high quality financial management information.

Members of the Evaluation Team reviewed vouchers prepared by FOES in order to assess FOES' financial reporting systems. Typically, vouchers (including all relevant backup documentation) are prepared by FOES' Administrative/Finance Division and are submitted for review and approval to USAID/El Salvador's Office of the Controller and the Office of Democratic Initiatives. Interviews with the Office of Democratic Initiatives (ODI) Project Manager, as well as with voucher examiners in the Controller's Office responsible for back stopping the FOES project, reveal that FOES prepares the necessary information in acceptable form and in a timely manner. With minor exceptions (which have been addressed by FOES), expenditures have been approved for payment and/or liquidation.

Although the Evaluation Team did *not* examine records from an *auditing* standpoint, it appears that FOES has developed extensive financial controls, including bimonthly "concurrent audits," i.e., audits of ongoing operations conducted by local accounting firms hired by FOES. Initially used only to monitor FOES' own internal operations, these audit mechanisms are now also used to monitor the operations of the labor federations (*centrales*) and other worker organizations receiving financial support from FOES. FOES staff feel that, in addition to controlling funds, concurrent audits also serve a *training function* in the beneficiary organizations, particularly in managing and handling funds properly.

9 Miscellaneous Reporting Requirements

FOES has also become very adept in complying with USAID's extensive reporting requirements which include, in addition to monthly financial and quarterly reports, preparation of annual work plans, submission of beneficiary development plans, approvals of terms of reference for technical assistance services, and the preparation of contracts with U.S. and third country nationals or institutions. FOES' major deficiency has been its failure to report on counterpart contributions of beneficiary organizations of the project, as discussed in the next section.

10. Counterpart Contributions

The beneficiary organizations supported by FOES are required to contribute 25% of the total amount of the agreement entered into with FOES. Of the two types of contributions—cash and in-kind—FOES in almost all cases has required that the contribution be *in-kind* and not in cash. To date, the beneficiary organizations have made substantial in-kind contributions. FOES, which has direct responsibility for complying with the counterpart contribution requirement, needs to improve its recording of in-kind contributions. Interviews reveal that FOES staff is in the process of obtaining information on in-kind contributions and the value that will be assigned for these contributions (which include labor, equipment, materials, etc.).

how can they say that they do for accounting records

11. Project Management

Part of FOES' institution-building effort included the development of various project management mechanisms to assist beneficiary organizations. These mechanisms serve at least two purposes: (1) to assist beneficiary groups in planning their own development projects and (2) to channel project resources to beneficiary groups.

To fully appreciate the nature of FOES' project management methodology, it is useful to provide a brief description of its principal features:

a Initial Entry/Establishing Rapport with Beneficiaries

The first step involves establishing contact and confidence with beneficiary organizations. The fact that FOES' initial work was conducted with eleven (11) *known* entities, previously assisted under the AIFLD program, does not obviate the requirements of the methodology, that is, the need to establish contact, build up confidence and credibility with local organizations and groups.

Creating linkages and establishing mechanisms with worker organizations and other local groups (*grupos de base*) is the principal responsibility of the Foundation's Planning and Operations Division. Six technicians of the Planning Division are responsible for establishing preliminary contacts and gaining the confidence of beneficiary organizations (*cabildeo* as it is called, a process which is similar to social work).

b Planning/Design and Implementation

Once confidence with the relevant organizations has been established, the FOES technicians proceed to work closely with the respective beneficiary organizations in planning, designing, and implementing project activities which include the following steps:

- project identification and selection (which, in turn, involve a review of administrative and financial capabilities of the organization to determine the kinds of assistance needed by the organization),

- preparation of feasibility studies (diagnostics which include various technical indicators such as internal rates of return, etc.),

- development of the organization's *profile* which is a summary description of the organization, problems identified, and summary of the project to be supported), and

- preparation of various marketing and financial studies

c *Enhancing the Administrative Capabilities of Beneficiary Organizations*

During this initial phase, FOES technicians make a determination regarding the administrative and financial management capabilities of the beneficiary organizations. In general, these are the weakest features of local organization. FOES technicians hire consulting firms to develop materials and provide training on financial management and accounting. Ten of the eleven labor federations (*centrales*) have been provided technical assistance in financial management and accounting (one organization apparently already had adequate financial systems and controls).

d *Preparation of Development Plan*

Based on information gathered and analyzed by the FOES technician, a *development plan* is prepared which includes all project information and documentation. The development plan is submitted to the Director of the Planning Division for review who, in turn, transmits the package to the FOES Credit Committee.

Once approved, the package goes to the Board of Directors for ratification or approval. The entire package is then transmitted to USAID/El Salvador for its approval. FOES staff indicate that USAID has taken as long as six (6) months to approve these packages. It should be noted, however, that when *adequate* packages have been submitted to USAID, approval has always taken less than two months. Recent development plans have been approved in a shorter period of time, i.e., 1 to 1½ months. USAID/El Salvador's approval is necessary before any funds can be disbursed.

e *Preparation of the Contract Agreement between FOES and the Beneficiary Organization*

Once the development plan is approved by USAID, the FOES technicians prepare a contract agreement between FOES and the labor federation. Loans for less than 450,000 *colones* (approximately U.S. \$51,136) are approved by the FOES Credit Committee and ratified by the Board of Directors. All projects of more than 450,000 *colones* are approved by the Credit Committee and also require the approval of the Board of Directors.

Given the long lead times involved, FOES technicians oftentimes find it necessary to update project information to ensure continued organizational interest in the project, and that the conditions under which approval was granted are still valid. The updating requirement means that documentation again has to be reviewed by the Credit Committee, approved and resubmitted to the Board of Directors.

Once the necessary approvals are obtained, a contract is prepared between FOES and the beneficiary organization. The contract lays out the responsibilities, conditions and requirements that the beneficiary must meet to receive the funds.

Interviews and survey data indicated almost a universal consensus that there is considerable micro-management and involvement by the Board of Directors in these technical issues

f *Disbursements*

After the contract is signed, the labor federation (*central*) submits a *disbursement request* to the FOES Administrative/Finance Division. At this point that there can be another wrinkle in this already cumbersome process: if the labor organization's (i.e., the *central's*) accounting and financial management systems have been certified as adequate to handle funds, the labor organization can receive funds directly from FOES. If the organization is not certified, however, FOES is responsible for undertaking direct procurements on behalf of the organization.

Another feature of FOES' project management system is that funds are usually disbursed by project, not in one lump sum. Once expenditures commence, the technician reviews expenditures before passing the documentation to the FOES Administrative/Finance Division for payment (or liquidation). Although the FOES staff understands that some of these procedures are necessary to safeguard FOES' (and U.S. Government) assets, they are uniformly viewed as complicated and cumbersome, robbing FOES of the ability to respond quickly and imaginatively to field conditions.

g *Assessment of FOES' Project Management*

As outlined in previous sections, FOES has devoted considerable effort to develop comprehensive project management mechanisms to assist worker organizations. Using these mechanisms, FOES has been able to channel resources to project beneficiaries. Moreover, these mechanisms have also been used to educate local beneficiaries in terms of planning and management of project resources. To an extent, then, FOES is succeeding in introducing change regarding local attitudes toward funds and their accountability, an achievement which is consistent with their developmentalist approach.

Nevertheless, the evaluation team believes that current project mechanisms tend to be overly bureaucratic and cumbersome, inhibiting the Foundation's ability to provide increased resources to the target population. Also, FOES' effectiveness in providing a larger volume of resources to the beneficiary organizations is undermined by its fiscal conservatism and its disbursement processes which operate on a project-by-project basis rather than on a quarterly basis.

It should be noted that FOES has developed outstanding relationships not only with the labor groups (*centrales*) but also with the sub-grantees receiving funds from the *centrales*. Interviews with sub-grantees indicate that FOES staff is responsive and accessible in terms of project support.

IV Component II Development Program for Worker Organizations

Pursuant to the terms of Component II of the Trust Fund Agreement, FOES is required to assist worker organizations in developing organizational and individual skills for carrying out priority development projects. These include the provision of loans and/or grants, technical assistance and training through a comprehensive and flexible package that includes project preparation, feasibility studies, materials, technical assistance and training.

A Developing the Basic Infrastructure of Worker Organizations: Technical Assistance and Training

FOES has undertaken several initiatives to enhance organizational and individual skills through technical assistance, training and material resources. As in the case of its own institutional development, FOES' approach has been to rely on consulting firms and other providers of technical assistance services to enhance the capabilities of worker organizations, particularly in the areas of financial management and accounting. At the time of this evaluation, FOES had succeeded in providing, as part of assistance packages, computer equipment and software for eleven (11) *centrales*. FOES had also made arrangements to provide training to staff members of the beneficiary organizations in the use of computer equipment as well as training in basic accounting and financial management, including the use of software accounting packages provided with the equipment.

Originally used to monitor FOES' own operations, FOES made arrangements to extend *bimonthly audits* to the operations of the labor federations (*centrales*) to ensure the proper use of funds. The audits have had the additional benefit of reinforcing training in accounting and financial management, thus reinforcing the institution-building process in the beneficiary organizations. Loan and grant manuals developed by CLUSA are also used by the *centrales* in collaboration with the FOES staff.

These combined efforts have led to the *beginnings of an administrative and financial management infrastructure in the beneficiary organizations that could lead to self-sufficiency in the long-term*. The *centrales* now can project future growth and expansion on the basis of these systems despite the fact that they still have far to go in achieving consistently acceptable financial management and accounting practices. Continuing deficiencies in the worker organizations can be traced to computer system problems, inadequate training of beneficiary staff, and lack of resources to hire permanent trained personnel. FOES is aware of the importance of continuous training for the administrative and financial staff of beneficiary organizations. Interviews revealed that FOES plans to continue to provide training to address these deficiencies.

FOES' efforts in enhancing its own administrative capacities as well as those of beneficiary organizations through technical assistance and training can be considered a significant achievement, particularly when one considers that prior to FOES' involvement these systems were deficient and/or nonexistent in some cases. It can also be argued that FOES has introduced a measure of attitudinal change among project beneficiaries regarding the use and management of project

funds Based on anecdotal data, FOES staff pointed out project beneficiaries were very careful in weighing alternatives and options regarding the use of loan funds which of course involve adherence to various financial guidelines, including repayment of principal and interest

B Resources Provided to Beneficiary Organizations

As noted above, pursuant to the terms of the Trust Fund Agreement, FOES is required to provide a comprehensive and flexible package of assistance to worker organizations that includes loans and/or grants Currently, FOES handles loans from two accounts (1) loans and grants made with AIFLD funds which it inherited when it signed the Trust Fund Agreement in February 1992, and (2) "new" loans and grants made with funds provided under the Trust Fund Agreement itself

1 AIFLD Loans/Grants

As the FOES Summary of Loans made by AIFLD (See **Table 1**) indicates AIFLD made loan disbursements totaling 1,465,363 87 *colones* (U S \$166,518) and recovered 531,912 49 *colones* (U S \$60,444), which represents a 36% rate of recovery as of December 1993 In actuality, these loans were made prior to February 1992, before FOES signed the Trust Fund Agreement An audit report has recommended that FOES develop a recovery policy for these old loans still on the FOES books

Table 1 — Summary of Loans by American Institute for Free Labor Development (AIFLD)

Name	Initial Capital	Paid Capital	Interest Paid	Total Funds Recovered
ACOPAI	615,588 10	277,799 84	46,925 40	324,725 24
CGT	577,185 35	84,629 54	32,415 20	117,044 74
AMCS	155,579 00	23,833 32	7,913 86	31,747 18
CTS	21,660 00	9,880 67	2,004 28	11,884 95
FESACORA	95,351 42	34,753 14	11,757 24	46,510 38
TOTAL	1,465,363 87	430,896 51	101,015 98	531,912 49

A total of 452,638 48 *colones* (U S \$51,436) of the AIFLD funds was also disbursed in the form of grants Although grant funds still remain, FOES does not plan to make any further grant disbursements from this account It plans to meet with USAID to review disposition of these funds

2 New FOES Loans/Grants

Since the signing of the Trust Fund Agreement in February 1992, FOES has authorized 1,934,221 00 *colones* to date (about U S \$220,000) and has disbursed 1,685,935 73 (approximately \$191,583— See **Annex 3**) These loans were dis-

bursed principally in the last quarter of 1993. Consequently, FOES has not yet had experience in recovering payments on its new loans. Based on recent conversations with beneficiary organizations, FOES staff believes that their preparatory work with these organizations (including the technical assistance provided) will result in a higher rate of recovery and acceptable delinquency rates. (At the time of the evaluation in February 1994, FOES had begun the process of preparing systematic information on delinquency rates.)

With regard to new grants provided under the Trust Fund Agreement, to date FOES has authorized 1,119,764 *colones* (U.S. \$127,245) and has disbursed 574,441 *colones* (U.S. \$65,227) through December 1993.

3 *Loan Distribution*

Under the AIFLD program, two of the five beneficiary labor organizations, ACOPAI and CGT, got a disproportionate amount of the loans disbursed. (See **Table 1**.) At present, ACOPAI still has an outstanding liability of 238,014.38 *colones* which represents 40% of the total loan amount. The organization has had discussions with FOES staff regarding the repayment of this outstanding loan.

With regard to new loans under the Trust Fund Agreement (see **Annex 3**), the following observations can be made. Although there appears to be more diversity in the overall new loan portfolio as compared to the AIFLD loans, some groups such as ACOPAI continue to receive a disproportionate amount of economic support.

When asked about the amount of funding being provided to ACOPAI, the FOES staff indicated the following: that ACOPAI was the best organized entity among the *centrales*, with the greatest absorptive capacity, and that it was the organization which has been able to propose the greatest number of projects acceptable for funding. One staff member advanced the notion that ACOPAI should be used as a model to be emulated by the other *centrales*.

C *Project Activities Funded by FOES*

Loans and grants as well as technical assistance funds have been disbursed by FOES in support of a number of activities oriented towards enhancing agricultural production projects, including basic grain production, traditional and non-traditional exports, and general marketing ("*comercialización*") . Funds provided by FOES were also used to finance projects such as rotating loan funds (*fondos rotativos*) . These funds are, in turn, disbursed as subloans to local groups, specifically cooperatives which use these funds to finance principally agricultural projects.

With regard to the *impact* of FOES' activities involving credit, microenterprise and village bank activities, staff indicated that there had been too little time to assess the impact of these activities. As already noted, most of FOES' initial efforts in the early phase of the project have been devoted to institution-building, of FOES itself and the *centrales*. As almost all of the loans under the Trust Fund Agreement were made in the last quarter of 1993, there has

not been enough time to assess their impact. Furthermore, there has not been enough experience to determine the rate of recovery of the outstanding loans.

Although at this time the Evaluation Team cannot determine whether sub-grantee activities are in line with U.S. Government policies, it is a fact that their efforts to date support increasing democratization and economic development in general by incorporating previously excluded groups and supporting self-help efforts initiated and implemented by these groups—both at the level of the federation (the *central*) and at the sub-grantee level.

D Assessment of Financial Management

1 Financial Monitoring

Although FOES' approach to financial monitoring is labor intensive, and can slow up disbursements, FOES staff feels that this is necessary given the financial management capabilities of the *centrales*. In a context of continuing deficiencies, according to them, corrective action can be taken before financial problems get out of control. At the present time, they feel that it would be difficult to increase disbursements due to administrative deficiencies at the local level. Current plans are to continue its policy of making small disbursements and to continue its careful monitoring of project activities and funds. A position for an Accounting Assistant requested by FOES' Financial Division, once approved, would be used extensively to provide ongoing accounting support on a more cost effective basis to beneficiary organizations.

Currently, FOES charges 20% on outstanding loan amounts which is above the current market rate of around 16% in El Salvador. *Centrales* in turn charge a higher rate (sometimes as high as 3% per month) on their rotating funds, which is consistent with what other NGOs charge on these types of projects.

2 Rate of Effectiveness

Although unable to determine the impact of FOES' activities with project beneficiaries (as noted above), the Evaluation Team can point to the following *the low disbursement rates of its loan portfolio*. This is shown in **Table 2** which demonstrates a low "Rate of Effectiveness" in FOES' loan and grant portfolio.

Table 2 — Comparison of Budgeted versus Real Costs for FOES Loans, January-December 1993

Month	Budgeted	Spent	Balance	% Saved
January	600,000	0	600,000	100
February	1,200,000	0	1,200,000	100
March	1,200,000	0	1,200,000	100
April	200,000	0	200,000	100
May	200,000	0	200,000	100

June	200,000	485,871 40	(285,871 40)	-142 94
July	1,090,004	0	1,090,004	100
August	1,090,004	161,108 60	928,895 40	85 22
September	1,089,992	0	1,089,992	100
October	326,668	103,838 30	222,829 70	68 21
November	326,668	32,000	294,668	90 20
December	326,664	903,117 43	(576,453 43)	-176 47
TOTAL	7,850,000	1,685,935 73	6,164,064 27	78 52

In 1993, for example, FOES only had a 21.48% Rate of Effectiveness in the disbursement of loans. In other words, of the 7,850,000 *colones* (U.S. \$892,045) budgeted for 1993, it only disbursed 1,685,935 *colones* (approximately \$191,583). Grant disbursements also reflect a similar pattern of low disbursements, as shown in **Table 3** which shows that FOES only had an 18.53% Rate of Effectiveness in the disbursement of grants.

Table 3 — Comparison of Budgeted versus Real Costs for FOES Grants, January-December 1993

Month	Budgeted	Spent	Balance	% Saved
January	175,000	0 00	175,000 00	100 00
February	475,000	0 00	475,000 00	100 00
March	475,000	0 00	475,000 00	100 00
April	100,000	0 00	100,000 00	100 00
May	100,000	0 00	100,000 00	100 00
June	100,000	17,000 00	83,000 00	83 00
July	458,334	42,690 00	415,644 00	90 69
August	458,334	52,920 77	405,413 23	88 45
September	458,332	111,300 31	347,031 69	75 72
October	100,000	28,759 05	71,240 95	71 24
November	100,000	90,600 00	9,400 00	9 40
December	100,000	231,171 72	-131,171 73	-131 17
TOTAL	3,100,000	574,441 86	2,525,558 14	81 47

Foundation staff explain these low disbursements as follows:

Characteristics of the beneficiary population According to personal interviews with FOES staff, corroborated by the survey data, the beneficiary groups are low income individuals who lack administrative skills and oftentimes initiative in proposing and developing project ideas. There is a significant amount of preparatory work that has to be

done with the *centrales* to enable them to absorb additional funding and technical assistance resources

Fear of assuming loan commitments The following interesting point was also made as beneficiaries of other donors, clients had gotten used to receiving funds, particularly grants, with few strings attached. Consequently, they are fearful of taking on loan commitments which of course involve repayment of principal and interest. For some, then, it was the first time that they had had to assume repayment obligations.

FOES staff has devoted considerable institution building effort to preparing these organizations to be "credit worthy" ("*sujetos de credito*"), particularly through the development of financial management and other administrative mechanisms. This effort is reflected in **Table 4** which shows expenditures made for technical assistance and training provided to these organizations.

Table 4 — Technical Assistance and Training Costs, January-December 1993

Month	Budgeted	Spent	Balance	% Saved
January	250,000	0 00	250,000 00	100 00
February	250,000	0 00	250,000 00	100 00
March	0	0 00	0 00	0 00
April	358,334	0 00	358,334 00	100 00
May	358,334	0 00	358,334 00	100 00
June	358,332	2,940 00	355,392 00	99 18
July	108,334	93,961 77	14,372 23	13 27
August	108,334	15,515 00	92,819 00	85 68
September	108,332	154,380 00	-46,048 00	-42 51
October	0	191,785 05	-191,785 05	0 00
November	0	88,050 00	-88,050 00	0 00
December	0	187,489 71	-187,489 71	0 00
TOTAL	1,900,000	734,121 53	1,165,878 47	61 36

As can be seen, FOES disbursed 734,121 *colones* (U S \$83,422) out of 1,900,000 *colones* (U S \$215,909) budgeted for *technical assistance*, a Rate of Effectiveness of almost 39%, which represents a higher Rate of Effectiveness as compared to disbursements in the loan and grant portfolio. This means that the Foundation was successful in devoting a considerably higher percentage of its available resources for technical assistance and training. This funding is consistent with FOES' strategy of institution-building which involves considerable preparatory work with beneficiary organizations as opposed to an emphasis on resource delivery which would be reflected in increased loan and grant disbursements.

The investment in preparatory work with the beneficiary organizations in this early phase of the project is also reflected in the high Rate of Effectiveness in the use of Professional Services, as shown in **Table 5**

Table 5 — Professional Services — January-December 1993

Month	Budgeted	Spent	Balance	% Saved
January	0	63,949 90	-63,949 90	0 00
February	786,150	30,057 00	756,093 00	96 18
March	667,376	1,257,196 38	-589,820 38	-88 38
April	166,900	4,592 33	162,307 67	97 25
May	33,275	194,527 50	-161,252 50	-485 61
June	453,075	189,729 00	263,346 00	58 12
July	41,275	302,63 55	-260,788 55	-631 83
August	26,276	17,640 00	8,635 00	32 86
September	33,275	191,374 53	-158,099 53	-475 13
October	276,275	26,754 00	249,521 00	90 32
November	9,375	46,795 00	-37,420 00	-399 15
December	18,750	18,375 00	375 00	2 00
TOTAL	2,512,001	2,343,054 19	168,946 81	6 73

As can be seen, out of 2,512,001 *colones* (U S \$285,454) budgeted for professional services, 2,343,054 *colones* (U S \$266,256) were disbursed, which indicates that 93 27% of budgeted amounts for professional services have already been expended, including expenditures for contract services to certify financial and accounting systems of the beneficiary organizations. The result has been that, at present, few funds remain to provide additional professional services in the remaining years of the project unless there is a significant reallocation of the budget (a proposal which is included as part of the FOES' self-sufficiency plan)

In conclusion, it can be stated that although FOES has a low Rate of Effectiveness in disbursed loans and grants, its higher Rate of Effectiveness in outlays for professional services *reflects the investment in institution-building that FOES has been conducting during the early phase of the project*

According to the data reviewed, through December 1993, AIFLD had disbursed 1,465,363 *colones* (U S \$166,518) and the recovery of these loans has been 531,926 *colones* (U S \$60,446) a rate of recovery of only 36 3%. Certainly FOES hopes to achieve a higher recovery rate than previous loans under the AIFLD program which FOES inherited under the terms of the Trust fund Agreement. FOES is in the process of developing a policy for the recuperation of these AIFLD loans

- It should be noted that FOES appears to be managing its resources in a fairly cost effective manner. Because most loans were disbursed during the last quarter of 1993, it is impossible to calculate a definite cost/benefit ratio. Nevertheless, it is clear that FOES has accomplished a significant amount of activities, especially in the area of institution-building without expending a large amount of funds. In fact, FOES has been overly conservative in most funding areas.

E *Note on Performance Indicators*

FOES has not devoted much effort to the development of performance indicators. This is due in part, to the fact that the Foundation's energies and efforts during the initial phases of the Trust Fund Agreement program have been devoted largely to institution-building. As already noted, most funds for field activities were disbursed only in last quarter of 1993. For this reason, FOES has not focused attention on indicators, and thus, has not yet been able to evaluate the impact of its activities at the field level.

Nevertheless, FOES has the *capability* to develop and generate any number of performance indicators. Conversations with financial management staff indicate that the problem is not whether FOES can generate performance indicators, but *which ones*. The danger, in their mind, is that too many indicators will end up being proposed and adopted (in accordance with the individualized information needs of each of the project managers) which will render these indicators useless. At present, FOES is beginning to consider a limited number of indicators such as the following:

1 *Rate of Effectiveness (or Disbursement)*

The Rate of Effectiveness is a simple comparison involving the percentage of funds disbursed as compared to budgeted amounts. This is useful (according to FOES staff) as a rough surrogate for *organizational effectiveness*. Using this indicator, they acknowledge that the current overall 25% rate of "organizational effectiveness" is not high. They attribute this low rate of effectiveness in part to the initial institution-building work required in working with organizations with considerable administrative deficiencies which have not had much experience in project planning and implementation, particularly in managing funds effectively. It is also due to cumbersome project management procedures and the Foundation's fiscal conservatism, as discussed previously in this evaluation.

The "rate of effectiveness" should improve as the work with present beneficiary organizations proceeds, and general administrative and financial management skills improve. This indicator should also be useful in monitoring FOES' own organizational effectiveness as it proceeds to work with new organizations.

2 Cost Benefit Indicators

Foundation staff is also exploring the use of cost benefit indicator(s) These indicators would be based on disbursements of loans and grants in relationship to designated unit(s) such as family, farmers or women to obtain a ratio of costs to benefits, as follows

Disbursement of loans/grants	Unit	Cost/benefit
Amount/colones	family/women/etc	xxx

3 Other indicators

Survey data also suggest that FOES staff is prepared to propose a long list of indicators which, according to respondents, could be used to monitor performance Again, the issue is not how many but *which* indicators will best serve to measure and monitor performance

It should also be noted that the development of some of these indicators is dependant on the development of a loan control system which the local affiliate of Price Waterhouse is supposed to develop for FOES To date, this loan control system has not yet been developed due to misunderstandings of the terms of the technical assistance contract

V Component III Improving Labor-Management Relations

When AIFLD requested support from USAID/El Salvador for FOES, labor-management cooperation was viewed as an integral feature of the Foundation's activities While it provided few specifics as to the activities envisioned, FOES was perceived as a catalyst for labor-management cooperation As noted in the AIFLD proposal "there has not been time to define precisely how this will be done in systematic ways, but with outside help as needed, FOES will during the first year devise a plan for methodically pursuing *this distinguishing characteristic* and *objective* The task of FOES will be that of a catalyst in fostering communication between the two sectors and then in working out with them concrete forms of collaboration in projects of self-evident benefit to both "

AIFLD's proposal called for the establishment of a Special Assistant to the Executive Director who would have special responsibilities in this area of labor-management cooperation and would coordinate the preparation and execution of a plan that was to include the following

- division of tasks among the Board of Directors and general membership,

- design of a constantly moving cycle of promotion and communication, project planning, assessment and dissemination of results,

formulation of priority opportunities among organizations of labor-management to be approached as most likely to cooperate and willing to experiment and learn new skills of cooperation, development of seminars on labor-management cooperation to be attended by leaders from other countries, and a detailed work plan for two years and long-range projections

A *FOES' Labor Management Activities To Date*

1 *Preliminary Contacts*

Because of the fact that FOES has concentrated most of its efforts on the first two components of the project, labor-management cooperation relations have been neglected. Nevertheless, FOES has taken the initiative in a number of areas. These activities have been undertaken in the context of plans developed by FOES to improve labor-management cooperation, as discussed in the following sections

2 *The FOES 1994 Action Plan*

The FOES Action Plan for 1994 calls for greater emphasis on strengthening efforts to improve labor-management cooperation. Interviews with the FOES Board of Directors suggest that some confusion exists as to whether USAID/El Salvador has approved the plan and/or whether it supports an activist role for FOES in this area. One FOES administrator indicated that he was only informed last December (1993) that the Democratic Initiatives Office of USAID/El Salvador was interested in receiving information on the Labor-Management Plan of Action.

It is clear that the FOES Plan of Action for 1994 is a general overview of objectives, accomplishments and a description of critical impediments. What is missing is a working document that includes specific assignments of tasks and a management calendar by which it could be operationalized. In addition, there is no discussion as to the role that staff training will play in FOES' efforts to carry out the plan, nor the specific role of the members of the Board of Directors.

The 1994 Plan of Action also has no specific reference to the state of the labor movement or worker associations nor the political-economic context that characterizes El Salvador, the Central American Region, or U.S.-El Salvador relations. There is also no specific reference as to what the Foundation has learned in its two years of existence and how that knowledge will serve its planned activities.

3 *FOES Plan to Improve Labor-Management Cooperation, 1993-1994*

The 1993-1994 Action Plan to Promote Labor-Management Cooperation calls for FOES to engage in outreach activities to promote labor-management collaboration and cooperation. FOES specifically proposed to organize a forum and three seminars. It also called for a joint collaborative effort by labor-management in the design and implementation of activities of mutual interest.

The plan consists of six general components, as follows

Activity *one* calls for a clarification of responsibilities for the labor-management cooperation plan. It also called for a review of the Foundation's structure, management, personnel, and strategic support

Activity *two* proposes the creation of a labor-management committee to generate collaborative projects and review those proposed by FOES staff. The committee would be responsible for analyzing and approving projects

Activity *three* calls for a survey of service group interests in labor-management cooperation issues

Activity *four* calls for the training of FOES personnel to prepare them to implement labor-management cooperation outreach

Activity *five* recommends the restructuring of FOES to more effectively manage the tasks involved in the action plan

Activity *six* proposes a public relations initiative to change public attitudes toward labor-management relations, i.e., socio-economic implications, productivity, role of labor, worker rights, technological change, and labor-management relations

Several basic principles have emerged that can serve as a framework for the implementation of the FOES Plan of Action to improve labor-management cooperation. They include

Labor and management must engage in joint efforts to improve economic performance that not only serve their mutual interests but that of the economic context in which they participate (local community)

This collaboration can only be accomplished by an informed understanding of each others' mutual interests

Plant-level collaboration must be built from the bottom up

Innovations in cooperative labor-management relations offer the promise of stimulating economic and social development

Labor and management must recognize that in spite of historic hostility, future profits, job security, and wages depend on their mutual capacity to collaborate in solving common problems

Labor-management collaboration is not automatic. It requires commitment and planning of strategies and implementation activities to achieve acceptable and meaningful results

As of February 1994, FOES had implemented the following activities involving labor-management cooperation

- carried out eight (8) training seminars on topics dealing with labor-management cooperation, involving approximately 390 participants,

carried out a loan-credit fund with CEPA (the Salvadoran port authority) and SIPES (the port authority workers' organization) which involved a joint labor management operation, including a loan portfolio of around 50,000 colones

made arrangements for U S training in labor-management relations of members of the Board of Directors (including two staff members and a legal advisor),

provided one week's training in labor-management relations in Puerto Rico to the FOES' Executive Director, and

the Board of Directors have been conducting in-house discussions (*charlas*) involving labor-management cooperation

B *Implementation of Component III*

Labor-management cooperation is based on recognition of the institutional integrity of both labor and management. FOES' effort to serve both labor and management sector clients will depend on the establishment of a shared commitment to the FOES Trust Fund Agreement. Emphasis must be placed on labor-management cooperation models at the plant level. *A vital element necessary to cooperation is a sense of trust and mutual ownership of the model by both labor and management.* Critical to the collaboration is communication that assists the development of a mutual sense of mission and understanding. Experiences in the Central and Latin American region indicate that training of both labor and management in communication and joint problem solving results in increased cooperation.

It is evident that some confusion exists within FOES as to who should have the principal responsibility for the implementation of the Plans of Action for 1994 and Labor-Management Cooperation. This confusion stems in part from the fact that the FOES leadership, after two years, has not been prepared to initiate a proactive set of labor-management cooperation activities. There is a sense that FOES is not unwilling to undertake labor-management initiatives but that *it needs informed, full time leadership and at the same time technical assistance and training* to fulfill its promise. USAID/El Salvador's support in obtaining technical assistance and training in this area would be helpful to FOES.

In 1991 FOES was described as the first and only organization in El Salvador to consciously take upon itself the objective of diminishing the belligerence between management and labor by attempting to induce cooperation between them in specific projects. This description is no longer an accurate depiction of the Foundation. Indeed, interviews with the Board of Directors suggest a consistently high sense of frustration and disappointment concerning the absence of substantive activities contributing to improving labor-management cooperation in El Salvador. The shared consensus is that FOES currently lacks, for the implementation of the component, the leadership and the requisite skills. One

- Foundation Board member suggested that it had lost its "mystique " Another declared that it had no stomach for the necessary missionary work to fulfill its promise in a hostile, high risk environment where it had more enemies than allies

A more important issue is the failure to train key staff, administrators and Board of Directors members in the theory and practice of labor-management cooperation USAID/El Salvador's Central America Peace Scholarship (CAPS) Labor Leadership Program has expended more resources on training and technical assistance to advance labor-management cooperation in El Salvador than FOES These expenditures include staff development and outreach to diverse labor and private sector groups In this regard the CAPS Program has advanced its labor-management leadership development objectives with more consistency vis-a-vis USAID's participatory democracy objectives than FOES

VI. Other Issues

A Sustainability

The Evaluation Team suggests that one of the principal concerns in the remaining years of the Trust Fund Agreement should be to focus on FOES' sustainability and the continuation of project benefits after USAID support comes to an end Specific issues to be addressed include the following

Which FOES activities need to be continued or *expanded* to serve the goal of sustainability?

If a viable institution-building process is to continue, which corrections should be made and activities developed or expanded?

To achieve sustainability under all of the objectives of the Trust Fund Agreement, FOES has to ensure that all "three engines" of the *Convenio* are operationalized simultaneously

FOES must be restructured on the basis of renewed familiarity with the terms of the Trust Fund Agreement and how each component contributes to institutional sustainability Based on its initial activities in the labor-management area, FOES has demonstrated that it can continue to pursue new initiatives under this component of the project

B Women in Development

Worker associations in El Salvador have not generally included women in the decision-making process FOES has established baseline data on each organization by gender FOES has also made female participation one of its criteria for being considered for its loan/grant program, it is evident, however, that even farm women's (*campesina*) associations are led by men

FOES can improve its outreach in this area. However, there is no evidence that it has a specific technical assistance training package to promote the development of female labor/worker association leaders. This is an area that needs to be given special focus given that women are poorly represented in the labor force in El Salvador. For example, out of the more than 60 associates belonging to the FOES General Assembly, no more than four are women.

C *Management Outreach Activities*

The Executive Director suggested that there had been high level discussions concerning private sector involvement in FOES activities. It is unclear exactly what was communicated. What was clear from interviews with management members of the Board was frustration and dissatisfaction with the Foundation's outreach efforts to the management community. FOES staff pointed out that when opportunities for collaboration opportunities were identified, they were informed that the timing was not right, they were discouraged from proceeding with new ideas, and that generally there was no "follow-up" on the part of the FOES leadership.

D *Dissemination/Network Development Activities*

Interviews with the Assistant to the Executive Director who had responsibilities for initiating outreach activities within San Salvador and internationally, indicate that extensive efforts were made to publicize the Foundation's existence and its work in El Salvador. Unfortunately, there was no follow-up to these activities by either the Executive Director or the Board of Directors. As a consequence FOES has a limited relationship to other local and international entities carrying out similar work in El Salvador. A related inhibiting factor in the development of a dissemination and outreach strategy vis-a-vis comparable counterpart organizations and potential donors, was FOES' still-weak track record at that time.

It is the opinion of the Evaluation Team that the Board of Directors was not effectively mobilized to participate in this effort. Thus, there has been minimal effort taken in disseminating the FOES mission and activities, or advocating principles of labor-management cooperation.

The FOES media file, which contains approximately nine articles, reflects FOES' minimal efforts in disseminating information on the organization's work. Five of the articles explain the official establishment of FOES as a foundation. Two are personal "opinions to the editor" articles written by the Executive Director, and two consist of descriptions of FOES. There are no current media pieces describing FOES more recent accomplishments or specific interests in promoting improved labor-management relations.

A June 1993 USAID evaluation of AIFLD described the limits of outreach that confronts FOES, as follows:

"Interviews with private sector entrepreneurs who were linked initially to FOES with some union leaders have given the impression that FOES for various reasons does not enjoy sufficient credibility in either sector. Among the reasons for lack of confidence on the part of the private sector is the presence and role of AIFLD."

Ironically, the visible limitations of FOES in terms of management outreach are not unfamiliar or surprising since they reflect some of the very shortcomings manifest in the underdeveloped trade union community in El Salvador. In the words of AIFLD staff who participated in the creation of FOES, the creation of the Foundation is justified due to

"[A]bsence of a known tradition of self-support, inexperience in democratic procedures and managing resources, organizational conflicts arising in good part from personalized and centralized leadership, limited access to resources financial, technical, managerial, technological, and, in consequence, inadequate capabilities to utilize well those resources which may be available."

E *FOES Environmental Project Management*

In its 1994 Action Plan FOES indicates that, given its mandate to strengthening worker associations at the local level, it intends to focus attention on the protection and preservation of the environment. As of the time of the evaluation, FOES had implemented the following activities in the environmental area:

Organized approximately 84 events (including seminars, discussion groups, and workshops on pesticide use and control involving approximately 2,500 participants from cooperatives and campesino organizations)

Implemented a program involving the collection and analysis of more than 100 samples of soil, blood and water to determine the incidence of toxicity

Given its network of rural worker associations such as ACOPAI and CTG, FOES has the network to advance self-help environmental protection and preservation activities in urban/rural sectors. Activities that might be served, particularly in the context of labor-management collaboration, include reforestation, waste processing, improving river water quality, canals, community sanitation, environmental education, housing projects, formulating energy conservation projects, and agricultural diversification.

FOES recently completed a comprehensive effort to infuse its outreach efforts to worker associations with a commitment to comply with USAID Mission Environmental requirements. A new staff person was recently contracted to conduct the necessary analyses.

• VII *Summary Findings, Conclusions, and Recommendations*

A *Assessment/Conclusions Regarding FOES' Strategy*

One of the principal *findings* of this evaluation is that FOES' strategy has had a major impact in its ability to achieve the objectives of the Trust Fund Agreement. As we have seen, FOES' developmentalist, institution-building approach is based on the need to motivate, mobilize, and educate workers in practices of self-help and participation in decision-making processes involving socio-economic development activities. It is not enough to address basic human needs objectives, the FOES approach dictates that more fundamental needs should be addressed such as the need to create and establish sustainable institutions and the concomitant skills and motivation of its individual members.

The evaluation thus concludes that the approach adopted by FOES is *appropriate* to the extent that, as an institution-building approach, it recognizes the need to prepare, motivate and educate low-income Salvadoran workers to enable them to use resources more effectively on a sustainable basis. FOES' institution-building activities in the early phase of the project are necessary to promote the enhancement of worker organizations and the skills and motivation of their individual members for eventual participation in the formal sector of the economy, as well as to promote the definition of new forms of labor-management cooperation.

A related finding of this evaluation is that the FOES strategy has *not been effective in delivering resources* to intended project beneficiaries. This is due to the fact that FOES activities have been heavily focused on initial preparation and educational initiatives and less on resource delivery, i.e., on institution building as opposed to resource delivery. As highlighted in this evaluation, FOES encounters the following organizational dilemma: should FOES focus on institutional development and deliver fewer resources or, alternatively, should FOES focus on resource delivery and risks the long-term sustainability of the project? This is a critical *management issue* that FOES needs to address.

It is thus recommended that FOES obtain technical assistance to assist the organization in finding the proper mix between institutional development and resource delivery objectives in the remaining years of the project.

B *Component I Institutional Development*

The evaluation found that there is a general consensus that FOES' Board of Directors lacks sufficient representation from management (*empresario*) organizations. It is recommended that efforts be made to rectify this situation in order to promote better labor-management relations.

The evaluation also *found* that FOES initiatives in *training* its own staff, as well as those of beneficiary organizations was constrained by the lack of an overall training strategy. It is thus recommended that FOES increase its training

- efforts, particularly in the labor-management cooperation area, and that these training initiatives be conducted within the context of a training strategy

FOES would also benefit from technical assistance to define organizational functions in general, with special emphasis on FOES' planning functions to prevent uneven distributions of workloads

FOES has contracted a variety of outside consultants to provide technical assistance. Unfortunately, there has been an obvious lack of communication between staff and consultants to date resulting in the development of inappropriate systems in some instances. Also, as FOES has limited experience in managing contracts, there have been misunderstandings which resulted in deficiencies in the deliverables prepared by technical assistance providers. In the future, all technical assistance activities should be based on consultation with FOES staff, and should also include provisions for ongoing, or periodic training. FOES should also explore the possibility of obtaining technical assistance in procurement and contract management from USAID/El Salvador.

Finally, the evaluation team also found that FOES' project management, although basically sound as a mechanism to channel resources to the beneficiary organizations, is overly bureaucratic and cumbersome. Its cumbersome nature has contributed to FOES' limited effectiveness in the delivery of resources to the target population. It is also recommended that FOES review its disbursement procedures which have tended to be overly conservative. In particular, it should examine options to increase disbursement on a quarterly basis as opposed to the current practice of disbursing funds on a project-by-project basis.

C. Component II Development Program for Worker Organizations

The evaluation team found that FOES devoted considerable institution-building effort to assist eleven worker organizations or federations (*centrales*) through a comprehensive package that included hardware (personal computers and peripherals), software, technical assistance and training in the use of the equipment and software.

The evaluation team concludes that, despite continuing deficiencies, FOES' efforts with worker organizations have led to the beginnings of an administrative and financial management infrastructure in the beneficiary organizations on the basis of which these organizations can base future growth and expansion.

It is recommended that FOES reinforce and expand this effort in the remaining years of the project through technical assistance and training. (This may require a modification of the FOES' budget to increase line items allocated for professional services.) Continued technical assistance and training is essential given the still fragile nature of the administrative systems currently in place.

With regard to FOES' program of loans and grants, the evaluation found that, although FOES has a well-developed system in place (including the development of the necessary procedures and manuals), FOES' record at present reflects a very

- ✓ low rate of effectiveness FOES simply has not been effective in delivering resources if one is to judge on the basis of disbursement rates averaging 25%

This low disbursement rate is due partially to the strategic approach followed by FOES in the initial phases of the project which has focussed on institution-building and developing the administrative infrastructure (of FOES, as well as those of the beneficiaries) Nevertheless, other factors such as the absorptive capacity by beneficiaries (and fears of assuming loan commitments) also prevent higher disbursements

It is recommended that FOES review its disbursement procedures in light of its "organizational dilemma" highlighted in this evaluation weighing institution-building objectives versus more concrete resource delivery objectives

As previously mentioned, it is also recommended that FOES review its cumbersome project management procedures (including fiscally conservative disbursement policies) with a view to increasing its delivery of resources to project beneficiaries without jeopardizing project resources It was found that FOES' funding portfolio is not sufficiently diverse in terms of activities and beneficiaries

The team found that FOES had no operational performance indicators to assist in identifying problem areas or assessing project impact As it gains more field experience with its program, it should also develop and adopt performance indicators

D Component III Improving Labor-Management Relations

One of the principal findings under Component III is that the FOES leadership lacks strategic policy direction with regard to labor-management cooperation Although FOES has undertaken several labor-management initiatives, it has not effectively integrated labor-management cooperation activities to achieve the objectives of the Trust Fund Agreement

From the outset FOES' founders believed that labor-management cooperation activities constituted both a general and specific objective of the Foundation It was viewed both as a means and as an end in institutional development and program implementation The FOES Board of Directors and Executive Director, as well as key administrators, acknowledge the need to improve the labor-management cooperation outreach program at this point in the life of the Trust Fund Agreement

In spite of the required submission of a plan of action for improving labor-management cooperation, interviews suggest that there is no consensus as to how FOES should proceed in this specific area, or how it relates to self-sustainability and institutional development

The Evaluation Team proposes the following recommendations

1 The Evaluation Team proposes that, based on its recently amended statutes, FOES convene the General Assembly to consider the establishment of a reconstituted Board of Directors that would, in turn, explore a more collective participation by a broader base of business and labor groups. A reconstituted Board of Directors could be organized to include a *Project Review Committee* under the Board of Directors which would have functions and responsibilities to review projects proposed by business and labor advisory councils. These committees would be responsible for generating proposals to advance Trust Fund Agreement objectives at the plant level. This proposal for the reconstitution of the FOES Board of Directors is based on the Evaluation Team's belief that the existing FOES structure excludes rather than encourages participation of both management and labor. The simple reality is that FOES cannot fulfill its responsibilities under Component III of the Trust Fund Agreement without the involvement of the management community.

The restructuring of FOES could coincide with the return of labor-management participants from training in the U.S. and Costa Rica under the CAPS and other similar programs. These participants have been exposed to existing models of labor-management cooperation and, in accordance with the terms of their training, are obliged to share lessons learned and engage in follow-up activities in El Salvador.

The evaluators believe that a restructuring of the Foundation is consistent with the 1994 Action Plans submitted by FOES to USAID/El Salvador.

A proposed model of a restructured Foundation is included as an attachment (see **Annex 4**).

2 FOES must take immediate steps to develop a work plan that operationalizes Component III of the program. This work plan should include cooperative models at the plant level to demonstrate lessons learned, particularly from returning CAPS scholars. An evolving political-economic context in El Salvador and interests on the part of the management-labor community as well as among interested members of the Government of El Salvador, suggest that a restructured Foundation would have multiple opportunities and support to promote labor-management cooperation.

3 USAID/El Salvador should defer action on FOES' proposal to establish an endowment fund until the Foundation has been restructured and a revised work plan addressing labor-management cooperation and sustainability has been prepared.

4 FOES staff needs in-house sessions to re-acquaint themselves with the terms of the Trust Fund Agreement. A summary status of the Trust Fund Agreement should be prepared and disseminated to all General Assembly and Board of Directors members, staff, and current and prospective client groups. Its new statutes should accompany its outreach information.

5 It is recommended that FOES convene a forum on national labor-management cooperation models. This forum should include local and international entities which share FOES' interest in furthering labor-management cooperation. Also, the forum's purpose would be to incorporate CAPS participants in both labor and business initiatives, disseminate lessons learned, and consider cooperative models of labor-management cooperation in El Salvador at the plant level.

These recommendations are made with the objective of encouraging FOES *to recreate and re-introduce itself* to the broader Salvadoran labor-management community. To this end, it must train and direct its staff and evaluate their performance in order to optimize their service to the overall objectives of the Trust Fund Agreement.

E *An Emerging Framework for Labor-Management Cooperation in El Salvador*

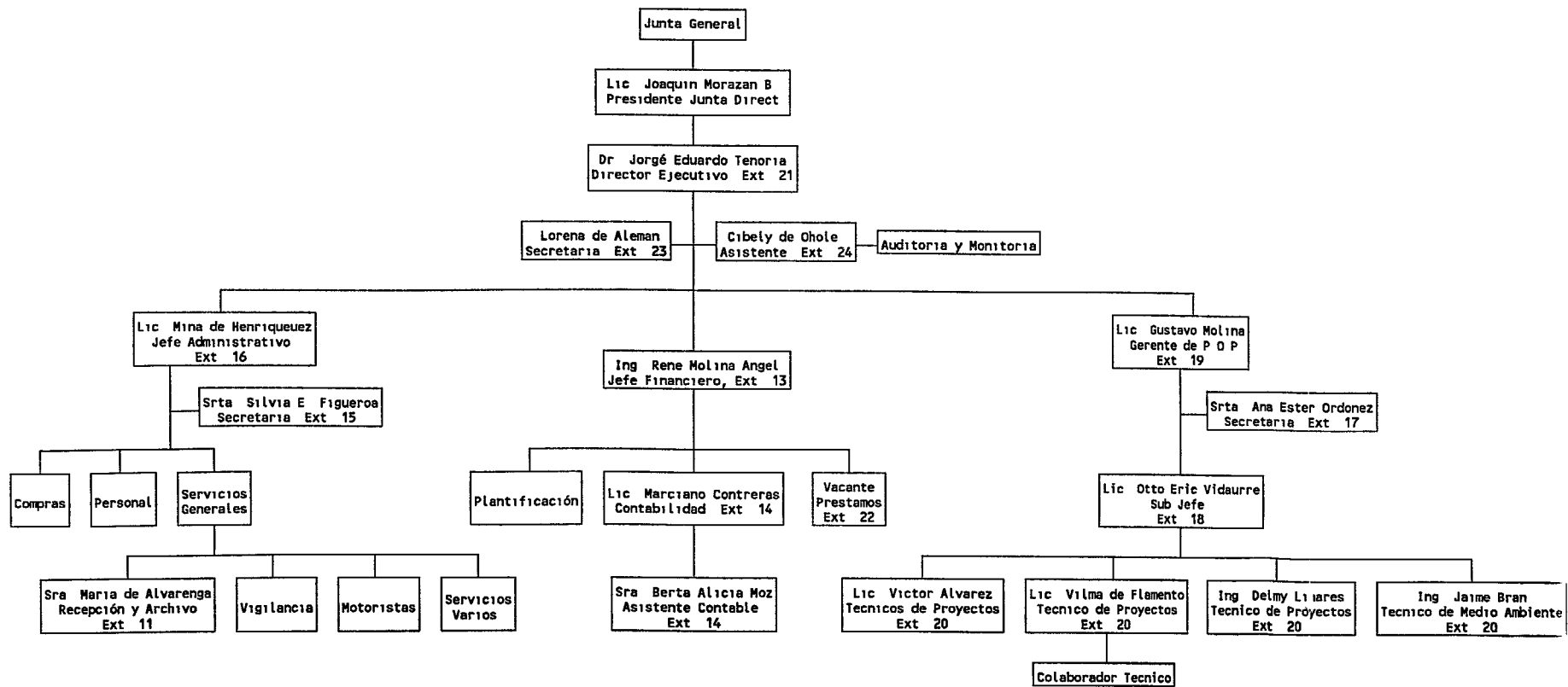
The MSD Evaluation Team has determined that FOES is on track in meeting overall Mission and project objectives as outlined in the Trust Fund Agreement with the exception of its more modest activities related to labor-management cooperation.

Complex economic changes in El Salvador and throughout the Central American Region are transforming the traditional roles of employers and employees. The Trust Fund Agreement with FOES should be utilized to promote a better understanding of this process in El Salvador. The Agreement can play a unique role in exploring current and future labor-management cooperation strategies and promote national debate on how a new framework and policies can be developed.

Both FOES and USAID/El Salvador should have a specific interest in the impact of labor-management relations on the ongoing process of political democratization and a rapidly diversifying national economy, and transmitting that basic information to its client and affected groups.

Given its mandate, no other entity in El Salvador is better suited or funded to explore cooperative models of labor-management collaboration. To the extent that FOES offers the possibility of promoting improved labor-management cooperation, FOES can contribute to national efforts to advance competition and productivity within sectors of the Salvadoran economy. Also, FOES offers the promise of the development of human capital skills in planning, communication and labor-management theory and practice that will advance labor-management cooperation in El Salvador.

FUNDACION OBRERO-EMPRESARIAL
SALVADORENA (F O E S) ORGANIGRAMA FUNCIONAL



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**CUADRO RESUMEN DE LAS JORNADAS DE CAPACITACION REALIZADAS Y/O EN EJECUCION
POR LAS ORGANIZACIONES LABORALES
QUE HAN SIDO FINANCIADAS POR FOES DURANTE 1991-93**

ORGANIZACION COORDINADORA • FOES

Numero de Eventos	NOMBRE DE LA JORNADA O EVENTO	CAPACITADORES RESPONSABLES	ORGANIZACION CAPACITADORA	ORGANIZACION BENEFICIARIA	Nº PARTICIP		COSTO c	UBICACION	FECHA	
					PRO	ASIS				
1	Capacitacion en Formulación y Administracion de Proyectos	CONSADE S A de C V	CONSADE	✓ FOES ACOPAI SUTC FESACORA CGT CTS	20	20	2 200 00	San Salvador (FOES)	Abril/93	
2	Seminario Taller Manejo Adecuado de Plaguicidas	Gloria Rut Calderon R González Wilfredo Escalante	FOES/CENTA	Varias Organizaciones Centales ADECOAS ACOPAI CTS FACOPPADO	25	23	18 877 30	Centa San Andres	3 y 7/5/93	
3	Seminario Taller Manejo Integrado de Plagas	Varios Técnicos de CENTA/FOES	FOES/CENTA (18)	Técnicos y para técnicos de organizaciones	25	34	15 900 87	Hotel Alameda San Salvador	7 al 11/6/93	
4	Curso Complementario sobre Manejo Adecuado de Plaguicidas	Ing Roosevelt Gonzalez Ing Maricela de Alvarado Ing Salvador Fuentes Ing mauricio Mendoza Ing Mario Meléndez	MAG Dirección de Sanida Vegetal y Animal	Tecnicos y para tecnicos de organizaciones	21	21	2 122 00	Centa San Andres	29 y 30/7/93	
5	Cultura Política Negociación y Elección	UCA	UCA	CGT SIPES CTS FESINCONSTANS ACOPAI	11	11	2 200 00	San Salvador	Agosto/93	
6	Administración de Presupuesto	Lic Luis Ramón González	FEPADE	Lic Otto Vidaurre ✓ ACOPAI	1	1	63513030	c 1 950	Salón de Seminarios de FEPADE	17 Jul/93
7	El ordenamiento laboral salvadoreño desde una perspectiva democrática	Tebelia Huerta	UCA	Lic Otto Vidaurre Lic ✓ Cibely Gonz z Dohle	2	2	6351321	800 00	Universidad J S Canas	11/01/93 y 2/2/93
8	Simpósio Inter Americano de Relaciones Industriales			Dr Tenorio ✓	1	1	6351370	c 1 780	Rep Dominicana	8 al 11/2/93
9	Seminario sobre formulacion evaluacion y gerencial de proyecto		CONSADE	Personal de FOES y Org ✓ Laborales	20	20	6351438	c 13 350	Oficinas de FOES	
10	Admon de Proyectos	Rodolfo Portillo Rosas	FEPADE	Ing Delmy Linares/FOES ✓ Sr Victor Vaquerano/Fesacora	2	1 1	6351439	c 3 900	Hotel Presidente	25 26 27/2/93

11	Curso de Inglés		Escuela Americana	Depto Administrativo Dirección Ejecutiva ✓	4	3 1	6351444	c 1 300	Escuela Americana	
12	Curso de Inglés		Escuela Americana	Dirección Ejecutiva Depto de Proyectos Depto Administrativo ✓	1 1 4	6		c 2 610	Escuela Americana	
13	Conceptos fundamentales del derecho agrario y su aplicación		CENITEC	C T S	2	2	6351533	c 400	Cenitec	5/3/93
14	Capacitación de computación		OMEGA	Fesacora	1	1	6884435	c2 126 7	OMEGA	
15	Curso MS DOS		Empresarios Juveniles	SIPES	5	5	6884455	c 650	Empresarios Juveniles	
16	Control de calidad de prod frescos para el mercado Europeo	Michel Pashc	COEXPORT	ACOPAI	2	2	6884466	c 400	Hotel El Salvador	Jun/9/93
17	Curso de Ingles		UCA	Dirección Ejecutiva Depto Admon	2	1 1	6884505	c 470	UCA	
18	Curso de Inglés		Escuela Americana	Depto Administrativo	1	1	6884514	c 300	Escuela Americana	
19	Habilidades en las relaciones obrero patronales	Carlos Morales	FEPADE	Lic Vilma de Flamenco	1	1	6884512	c 2 000	Hotel Camino Real	24 25 26 Jun/93
20	Curso de Lotus	Emp Juveniles	Empresarios Juveniles de Sonsonate	SIPES	5	5	6884568	c 1 125	Empresarios Juveniles, Sonsonate	Jun/93
21	Curso de Ingles	Escuela Americana	Escuela Americana	Lic de Henriquez ✓	1	1	6884574	c 325	Escuela Americana	
22	Curso de Inglés	UCA	UCA	Sra de Alemán ✓	1	1	6884578	c 235	UCA	
23	Curso de Ingles	Escuela Americana	Escuela Americana	Admon y Finanzas ✓	2	2	6884500	c 970	Escuela Americana	
24	Curso de MS DOS	Univ J Matias D	Univ J Matias D	FESINCONSTANS SUTC OSII S FEDECAS FLSAFCORA	14	14	6884686	c 2 100	Univ José Matias D	Agosto/ Oct/93
25	Curso de Ingles	Escuela Americana	Escuela Americana	Depto Administrativo	3	3	7576519	c 1 460	Escuela Americana	
26	Curso de Word Perfect	Empresarios Juveniles	Empresarios Juveniles Sonsonate	SIPES	4	4	7576530	c 955	Empresarios Juveniles Sonsonate	Agosto/93
27	Gerencia Financiera		CIPES	Ing Rene Molina ✓	1	1	6884667	c 600	Hotel El Salvador	
28	Curso de Inglés	UCA	UCA	Lorena de Alemán ✓	1	1	6884677	c 235	UCA	

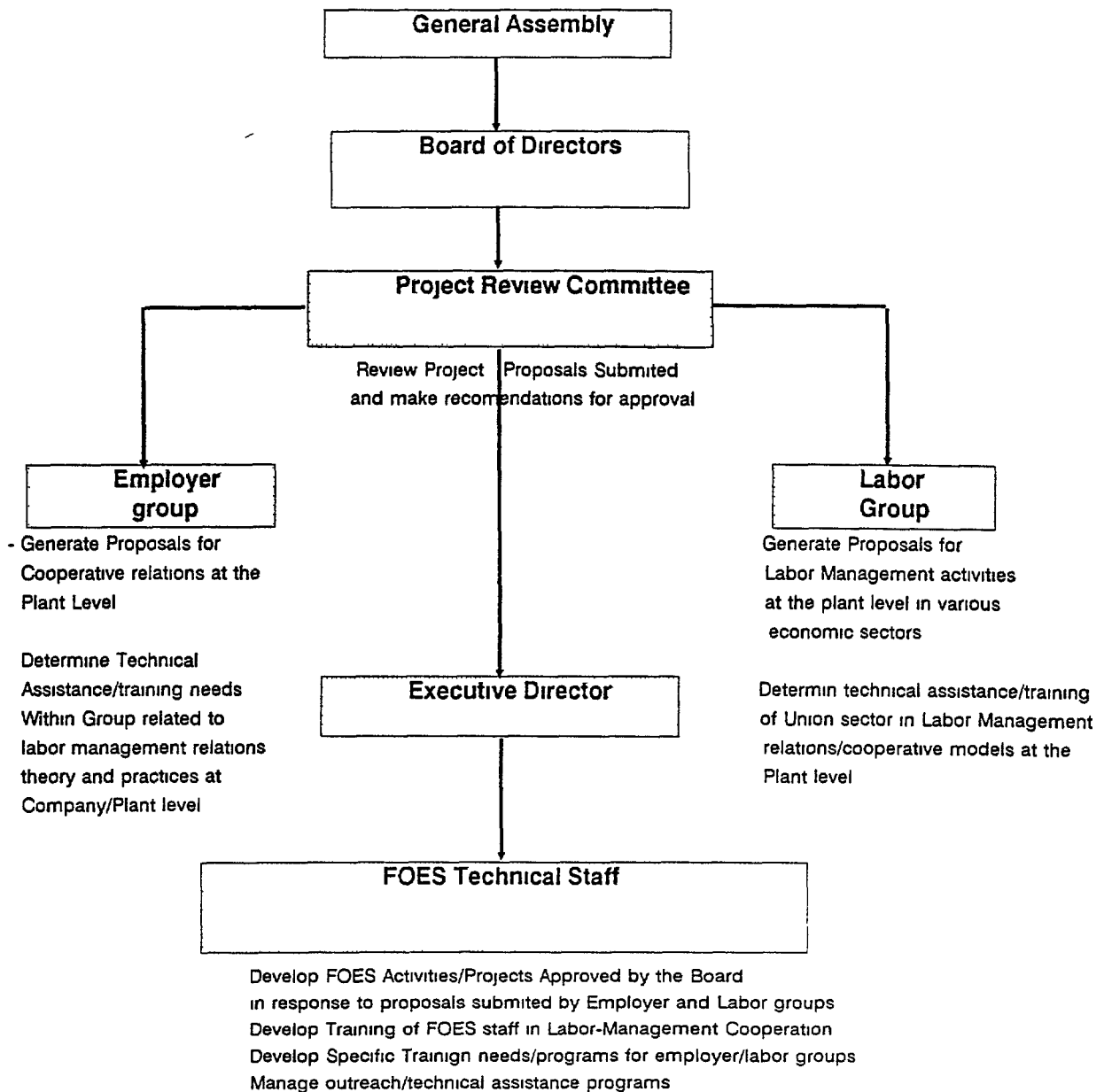
29	Fraude y corrupción en el gobierno		Asoc Interamericana de Contabilidad	Lic Laura de Osorio	1	1	c 150	Hotel El Salvador	27 28 Febr/92
30	Las Perspectivas de la Caficultura	Ing Ruben Pineda Dr Rodolfo Borjas Lic Carlos Orellana Ing Enrique Alfaro	CENITEC	Lic Otto Vidaurre Ing Delmy Linares Isaías Rivera	3	3	c 150	Hotel El Salvador	6/3/92
31	Congreso Centroamericano de la libre empresa		ANEP	Dr Tenorio	1	1	c 1 000		2 y 3 Jul/92
32	Seminario S/IVA	Lic Carlos Abarca G	C P A	Lic Martinez Lic de Osorio	2	2	c 600	Hotel Presidente	24/6/92
33	Redacción moderna para ejecutivos	Lic Amada de Franco	Camara de Comercio	Marina Melgar	1	1	c 425	Cama de Comercio	10 y 11 Jul/92
34	Desarrollo organizacional	Lic Jose Salv Molina	Camara de Comercio	Lic de Osorio Lic de Flamenco	2	2	c 950	Camara de Comercio	17 y 18 Jul/92
35	Admon de documentos para secret	Sr Carlos Cabrera	ASI	Lorena de Alamán Anable Paz Marina Melgar	3	3	c 1 050	ASI	18 y 25 Jul/92
36	Jornada profesional para secretarias	Lic Alfredo López	Leopoldo Barrio Nuevo y Asoc	Sra Lorena de Aleman	1	1	c 475	Hotel Presidente	10/10/92
37	Practica sobre IVA	Lic Ricardo Mendoza	Estrategias Empresariales y C	Silvia Figueroa	1	1	c 300	Hotel Presidente	10/10/92
38	Curso de Lotus		Univ Don Bosco	Lic Contreras	1	1	c 225	Univ Don Bosco	10/Oct 21/Nov/92
39	Contacto/92	FUPAD	Fundacion Panamericana para el Desarrollo	Dr Tenorio Don Joquin Morazan	2	2	c 15 076	MIAMI	25 a 31/10/93
40	Prod y exportacion de chile jalapeno		FUSADES	ACOPAI	2	2	c 300	FUSADES	19/10/93
41	AS 68	Lic Jose Ramon Fernandez	olegio de Contadores	Lic Laura de Osorio	1	1	c 300	Hotel Presidente	27/10/93
42	Admon de Funcion Contable	Ing Carlos Wagner	FLPADE	Lic Raul Martinez	1	1	c 1 600	Hotel Camino Real	19 y 20/Nov/92
43	VIII Congreso INCAISTA		INCAE	Lic Vilma de Flamenco	1	1	c 1 087 5	Hotel Camino Real	14/Nov/92

Annex #3 - Summary of Loans/Grants made by FOES

Organization Name/Activity	Loan Authorized	Loan Disbursed	Grant Authorized	Grant Disbursed
ACOPAI	1,536,206	1,445,920	69,607	
ROTATING FUND	1,350,000	1,343,423		
LA CARBONERA COOPERATIVE	62,132	50,280		
SANTA TERESA	62,037	16,917		
INDEPENDENCIA	62,037	35,300		
PROMOTIONAL EQUIPMENT			56,421	
COOPERATIVE SAN F MIRALEMPA			13,186	
ACCOUNTING TRAINING				
DEVELOPMENT PLAN COORD				
CGT	288,015	210,015	357,389	
COOPERATIVE ESPERANZA	60,015	60,015		
ATME	111,466	33,466		
COOPERATIVE EL PELICANO	73,200	73,200		
COOPERATIVE MUN EMPLOYEES	43,334	43,334		
INSTITUTIONAL SUPPORT			123,292	
WORKSHOP			234,097	
ADMIN PERSONNEL TRAINING				
TECH , MAN , & ACCTS TRAIN				
COOPERATIVE ESPERANZA				
SIPES	110,000	30,000	185,133	
ROTATING FUND	110,000	30,000		
COMPUTER SYSTEM			23,800	
EDUCATIONAL SUPPORT			42,385	
FACILITY CONSTRUCTION			118,948	
MANAGEMENT TRAINING				
COMPUTER TRAINING				

Organization Name/Activity	Loan Authorized	Loan Disbursed	Grant Authorized	Grant Disbursed
FESACORA				
OFFICE EQUIPMENT				
COOPERATIVE TALCUALUYA				
COOPERATIVE ARUBA				
FEDECAS				
TECHNICAL SUPPORT				
SUTC				
LABRATORY DEVELOPMENT				
DEVELOPMENT PLAN COORD				
AFFILIATE TRAINING				
MANAGEMENT TRAINING				
ADMIN AND TECH TRAINING				
CTS				
INSTITUTIONAL SUPPORT				
AFFILIATE TRAINING				
FESINCONSTRANS				
INSTITUTIONAL SUPPORT				
PROMOTIONAL EQUIPMENT				
DEVELOPMENT PLAN COORD				
ADMIN & TECH TRAINING				
INDUSTRIAL PARK DON BOSCO				
TRAINING OF 450 MEMBERS				
TOTAL	1,934,221	1,685,935		

PROPOSED STRUCTURE FOR A NEW FOES



4/4

SECTION C

DESCRIPTION/SPECS/WORK STATEMENT

C.1 BACKGROUND

In June 1991, the Salvadoran Labor-Management Foundation (FOES) was formed. The initial funding for FOES came from the American Institute of Free Labor Development (AIFLD).

On February 4, 1992, FOES and USAID signed a 80 million colon Trust Fund Project Agreement with Government of El Salvador owned local currency to enable FOES to expand its activities to strengthen the capabilities of free trade unions and other similar worker organizations to promote their own development projects in a democratic manner. One means to strengthen free trade unions would be to carry out activities which promote labor-management cooperation. The FOES project consists of the following three components:

* FOES Institutional Development: FOES will establish mechanisms to upgrade participation and access for those elements in society which traditionally have had limited access to social services and economic opportunities. This component is designed to provide technical assistance and financial support to strengthen FOES' institutional capability to coordinate and manage the Project activities in the other two components.

* Development Program for Worker Organizations: FOES will assist worker organizations in developing organizational and individual skills for carrying out priority projects. Under this component FOES will make loans, and/or grants and will provide technical assistance and training only through a comprehensive and flexible package of assistance that includes project preparation, feasibility studies, materials, technical assistance and training.

* Development of Labor-Management Cooperation: FOES will be a catalyst in fostering communication between labor and management, and then in working with them to develop concrete forms of collaboration on projects of self-evident benefit to both.

C.2 PURPOSE OF THE EVALUATION

The purpose of this contract is to carry out a mid-term evaluation of the FOES project in order to appraise progress in implementation, assess the likelihood of achieving project

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objectives, identify elements constraining its successful execution, and report lessons learned to date.

The evaluation will be used as an independent assessment of the validity of this approach to supporting democratic labor unions in El Salvador.

C.3 STATEMENT OF WORK

The Contractor will report its findings, present conclusions that are based on the findings, point out examples of note-worthy accomplishments, and recommend improvements and/or changes based on the overall evaluation exercise. Finally, the contractor is expected to list and briefly discuss lessons learned that emerge from the analysis.

Specifically, the Contractor shall undertake the following activities:

A. Assess whether FOES' strategy is appropriate and effective, whether the goals and objectives are relevant and are being met, and whether the operating procedures are relevant and effective for strategy implementation and goal achievement. If modifications are recommended, detail what these are.

B. Evaluate the effectiveness of methodologies and techniques used by FOES to implement activities.

C. Evaluate FOES' educational and promotional activities, including training and publications. With respect to training, assess whether they have a formulated strategy, are focused and effective, and if the presentation is appropriate to accomplish their stated objectives. Also assess the overall impact of their training.

D. Evaluate the managerial and financial structure/capability of FOES. Areas to be addressed include appropriate assignment of tasks, level of morale, and level of efficiency, and possibilities for self-sustainability of FOES beyond project funding.

E. Assess whether FOES has appropriate indicators and generates enough statistics to evaluate the impact of its activities and to pinpoint specific problem areas and if needed, recommend what indicators FOES should incorporate in its regular monitoring activities.

F. Assess whether the current mix of technical assistance and training for the FOES staff is adequate. Recommend areas where modifications or additions should be made.

G. Examine the relationship of FOES activities to other local and international entities who carry out similar work in El Salvador, including other AID activities. Assess the effectiveness of communication between FOES and these organizations. Recommend any approach to improve formal or informal linkages with these organizations.

H. Evaluate FOES' relationship to unions and the private sector, and recommend approaches for improving these relationships.

I. Assess whether FOES' relationship to sub-grantees is adequate, accessible, effective, and efficient. Assess whether actions taken by sub-grantees with FOES funds have been in line with USG policy. Offer recommendations to improve their system of awarding sub-grants to unions and federations.

J. Evaluate the overall impact of FOES' activities including credit, microenterprise and village bank activities. Determine whether FOES' activities will have an impact on the possibilities for self-sufficiency of the worker organizations they work with. Cite specific achievements, and quantify impact and accomplishments where possible.

K. Evaluate whether the project is on track in meeting project objectives as well as overall Mission Strategic Objectives as stated in the FY 93-97 Program Objectives Document. ✓

L. Assess whether FOES has managed its resources in a cost effective manner, and whether the investment of resources has produced a reasonable return. If possible, calculate a cost/benefit ratio.

M. Women in Development issues should be addressed throughout the report. Inter alia, the following questions should be answered: a) How have the interests and roles of women been taken into consideration in the design, appraisal, and implementation stages of the Project? b) Have gender specific data been available for each stage? c) Have there been any noticeable differences in the way the Project has impacted on men or women?

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